The MAGAZINE of WALL STREET
and BUSINESS ANALYST
Member of Audit Bureau of Circulations

Vol. 58 No. 13 **October 10, 1936**

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SUBSCRIPTION PRICE—$7.50 a year in advance in the United States and its possessions, Canada, and Pan-American. Foreign, $8.50. Please send International Money Order or U. S. Currency.

TO CHANGE ADDRESS—Write us name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address—Tickerpub.

WITH THE EDITORS

Calling Convertible Bonds

THE constantly declining rate of return upon invested capital is no longer a new problem for those dependent upon an income from securities. Generally speaking, sacrifices have been made and the state of affairs accepted. The majority of those whose bonds have been refunded at a lower rate of interest have taken the new issue, possibly with some grumbling, but the point to be remarked is that they accept it. Recently, however, there have developed several cases in which the investor is being forced, if he wishes to retain an interest in some company, out of a bond position into a common stock position. Allis-Chalmers, for example, has called for redemption October 3, $5,000,000 of convertible debentures; Youngstown Sheet & Tube is retiring $3,000,000 of a convertible bond issue that was only brought out six months ago. The conversion privilege in both these bonds is of tangible value at current prices. Thus, the companies need put up no cash on the call, for investors will obtain more by converting and selling the stock in the open market.

From the companies' standpoint, the situation is most desirable as they are enabled to eliminate part of their debt and substitute therefor common stock. Nor has the man who bought the bonds primarily as a speculation anything of which to complain. He has made money on the transaction and made it faster in all probability than he thought he would.

From the standpoint of the true investor, however, while he like everyone else is always glad to make a little money, the effect is, as if an "ace in the hole" had disappeared. Undoubtedly many of the Allis-Chalmers and Youngstown bonds were bought primarily as investments for the return they afforded. The conversion privilege was looked upon not so much as a source of possible profits, but as something that afforded a degree of protection against unpleasant possibilities. In other words, the bonds were bought with the idea of using the conversion feature only in the event of the present inflationary tendencies going further. That this is much less far-fetched than it might seem to those who think that a "profit's a profit" and convert at the first opportunity, is shown by the action of convertible issues in the past. It is our recollection that the Brooklyn Union Gas Co. had a convertible issue which sold well above 200. Then, the American Telephone & Telegraph Co., had an issue of convertible debenture 4s, some of which ran right up to their maturity this year, despite the fact that it had been possible to convert them for years at handsome profits.

There is nothing, of course, that the investor can do about a callable convertible bond if it should be called. However, in view of the likelihood that the future will see even heavier issues of convertible bonds, the true investor may well give some thought to the possibility of being deprived of this investment position and forced to exercise his conversion privilege on the company's initiative rather than his own. Perhaps before making his original commitment he might investigate a little further and discover a non-callable convertible issue which would meet his requirements. In this case, he, and he alone, decides upon the best time to exchange a bond for stock.

In the Next Issue

ANNOUNCING A NEW FORMAT.

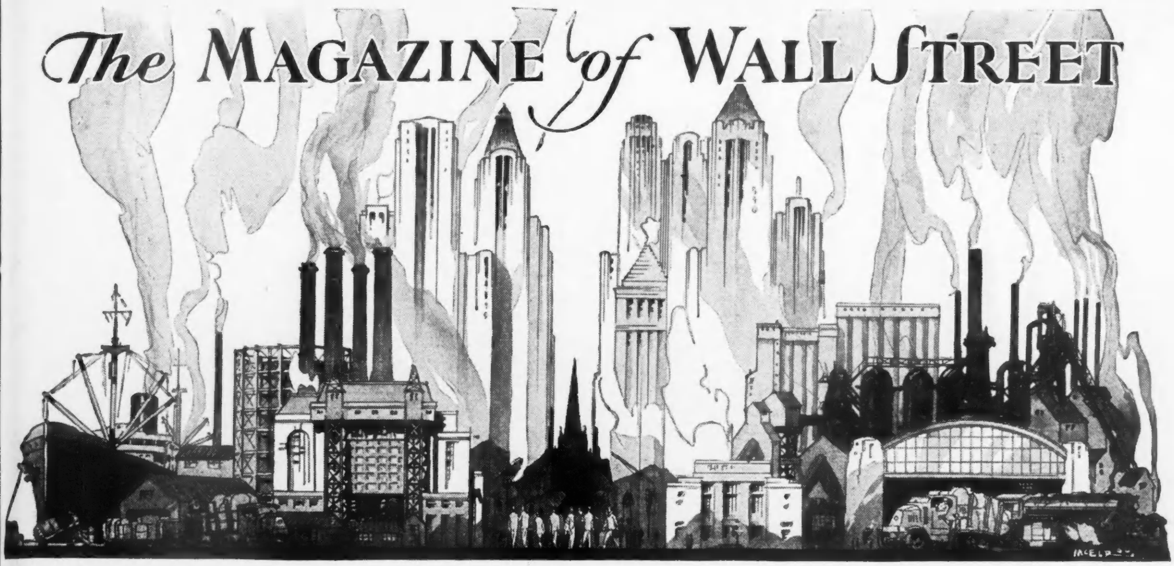
Beginning with the issue of October 24 The Magazine of Wall Street will appear in new dress—new cover, new type face, new layout and design. In addition its editorial scope will be broadened and new features added.

Among its leading features will be:

Motor Sales and Profits in 1937
By GEORGE W. MATHIS

Tax on Security Profits Abolished?
By M. L. SEIDMAN

World Currencies and the Dollar
By H. M. TREMAINE



E. Kenneth Burger
Managing Editor

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Publisher

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Laurence Stern
Associate Editors

The Trend of Events

It's Time to End Utility Warfare

CONTINUED bitter warfare between the Federal Government and the country's electric utility corporations can do no good. Neither party to the controversy has been blameless and neither can win a complete victory, either through chronic litigation or fierce competition, except at great cost to investors or taxpayers or both. The time has come for sane and civilized compromise and co-operation.

Whether the "peace conferences" called by President Roosevelt and now going on at Washington reflect a sincere desire on his part to work out a co-operative program in a spirit of fair give and take remains to be seen. We hope so, but we confess to a certain skepticism.

In the first place, public announcement of this tentative venture toward co-operation just a few weeks before the national election must obviously have involved political considerations. There was no need for drama or a stage setting. Private and informal negotiation would have been just as effective and probably more so. In the second place, among those representing the Government are certain implacable utility baiters and advocates of public ownership; and among the private utility conferees are men who have been so directly involved in the controversy that they will necessarily be unable to cast off bitterness and suspicion.

Fortunately, there will also be present such men as Owen D. Young, industrial diplomat par excellence; and Samuel Ferguson, eminently practical chief executive of the Hartford Electric Light Company. Both have the confidence of the President and of the utility industry. If Mr. Roosevelt really desires peace he would be wise to delegate to two or three men of this type the task of attempting to work out an effective compromise through informal negotiation, without a fanfare of pre-election publicity.

Repeal of Capital Gains Tax Is Promised

AFTER conference with the Treasury, Senator King, a Democrat and ranking member of the Senate Finance Committee, has announced his intention to introduce a bill at the next session of Congress repealing the capital gains tax. This proposal may be assumed to have the support of the Administration. It is therefore news of the greatest importance to investors and business men. Such a revision of the Federal tax system would be as epochal as the much-criticized undistributed prof-

its tax adopted at the last session of Congress and, unlike that measure, would meet with general approval.

The details of the proposed change, of course, have not been revealed. We do not know whether capital gains and losses will disappear entirely from the annual reckoning of income taxpayers. Possibly revision will apply to the periods of time within which capital gains or losses are taken for tax purposes and to the percentages of gains subject to tax.

Any retreat from the present system will be a step in the right direction. The capital gains tax is not certain in its incidence, its gross yield is comparatively small and option of payment lies within the choice of the potential taxpayer. Its effect on the stock market is doubly unfortunate. In a bull market it restricts profit taking by large holders of securities and hence tends to prolong and exaggerate a speculative boom. But when there is a fundamental change in the economic cycle such large holdings press for sale when decline in prices threatens to wipe out more profit than would be taken by the tax. For both of these reasons it is a thoroughly vicious tax, quite apart from the simple fact that precarious and uncertain appreciation of capital assets can not be considered either as income or a reliable source of Federal revenues.

Farm "Relief" Becomes Permanent Subsidy

THE New Dealers point with pardonable pride to the fact that cash farm income is now back to the 1930 level. This means that farm income has not only enjoyed a bigger percentage gain than the national income, but is much closer to "normalcy" than the national income. Hence, taxpayers in industrial areas would appear at first glance to have reason to expect that Federal spending in the cause of farm "relief" should rapidly decline, for "relief" implies emergency and the farm emergency is over.

Yet today we see President Roosevelt and Gov. Landon outdoing each other in promising the farmers more and better relief—with public money. The farmers have millions of votes, but if each candidate promises the same in farm spending the votes should be evenly split and in that case neither candidate gets an advantage and the only result is that the industrial taxpayer will lose. Why not call a truce, with the candidates agreeing on the same amount of curtailment in their respective farm programs? At the least, sirs, stop calling it farm "relief" and give it its true name—which is "permanent farm subsidy."

Japan Pushes On In Imperialism

THE imperialist Japanese steamroller pushes ever further into China and the Japanese sphere of influence spreads steadily and insistently over the Orient and the far Pacific lands and seas. China is powerless to halt the encroachment. Other nations whose Far Eastern interests are threatened are either unwilling to risk war with Japan or unprepared to fight. Diplomatic protest, unbacked by naval might and the willingness to use it, will be useless. It would take more than the Orient appears to offer us in economic advantage to induce the United States to risk war. Great Britain and France have more vital problems on the Continent. These facts are well known to the Japanese. Along with the fact that their government is dominated by the army and navy, it explains the boldness of their policy.

To nations which have something to lose it may be a grain of consolation to bear in mind that the future fruits of victory to be garnered by Japan will have to be rich, indeed, to pay the present cost of her expansion. To meet part of the cost—deficit financing taking care of the balance—Japan has just applied a "soak everybody" tax program. Income tax begins at $330; inheritance tax is doubled; corporation tax is raised by from 30 to 80 per cent; the tax on beer is increased 60 per cent and that on rice wine 20 per cent; the price of cigarettes, a government monopoly, is increased; and liquor becomes also a government monopoly. The people will smoke and drink for the benefit of the State—and the army and navy will make merry.

Some National Planning Will Be Needed

COTTON planters in the South long have complained that the protective tariff policy of the United States tended on the one hand to restrict cotton exports and on the other hand forced them to buy manufactured goods at excessive prices from the tariff-protected industrialists of the North. A futile and academic argument, you say? Well, it has been—but now the Governor of Mississippi has introduced in the Legislature of that state a program that should give everyone food for thought. It seeks to induce northern factories to move to Mississsippi through the double lure of public subsidy and low wages.

Counties and municipalities would be empowered to float bond issues by approval of 75 per cent of the voters, proceeds to be used in buying land and erecting industrial buildings which would be occupied rent-free and tax-free for a specified number of years. As for wages, a Federal survey of one textile plant in Mississippi made some months ago purported to show that wages ranged from $5 to $9 per adult worker for a 40-hour week. No rent, no taxes and low wages would be a powerful lure. Should other states in the South adopt similar tactics we would stand in much more desperate need of a national economic conference than of an international conference. The tariff is not only an international problem. We are blessed with a vast territory, but the great sectional differences in economic interests and habits of life make national planning a national headache.

The Market Prospect

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 752. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, October 5, 1936.

As I See It ~ By Charles Benedict

A Turning Point in World Affairs

DEVALUATION of the French franc marks an important turning point politically and economically. Long expected and much feared for its consequence, it has not only lost its terrors as an actuality but is recognized as a significant event in international affairs. The way is now open for a resumption of world trade, leading to world monetary stability. Even the cause of world peace may be said to have been advanced by this prospect of improved economy for the peoples of Europe. When men believe the depths of human misery have been seen, Europe will begin to make progress.

With economic stability will come greater political stability; with the United States, England and France as exponents of democracy against the dictatorships of Communism and Fascism.

Thus the devaluation of the franc becomes a very important factor. Economically it should be conducive to increased trade, especially since France has also set the pace by relaxation of tariffs, quotas and embargoes. The constructive forces of the world are at last at work.

The round which will have been won by Fascism with the fall of Madrid has received a setback by this working arrangement between the three great democratic powers. The riots in Paris and London against Fascist activities indicate that at last free men are becoming militant—which is a good sign for the world. While the fight for the extension of Fascism in Europe will continue, the improved economic situation may restrain the spread of this political trend.

It is unlikely that Senor Raffaele Guariglia, recent Italian Ambassador to Spain, and now newly appointed to London, will have as fertile a field in England for his Fascistic doctrines as he did in his former post.

It remains to be seen what effect Italy's devaluation will have, although the lira has only been allowed to depreciate from what was a nominal gold price. Germany has in effect already devalued 40 per cent through her reichmarks so that further official action would be no more than recognition of status quo.

The important thing is that the channels of commerce have been partially cleared of some of their most forbidding obstacles. Further relaxation of tariffs, quotas and embargoes will doubtless ensue in other countries and so engender that free flow of goods which has been so effectively throttled by poverty, nationalism and the desire for economic self-containment.

In addition to the easing of tariffs, the very fact of devaluation in four countries will tend to foster their export trade and relieve restrictions which have prevented the proper transfer of credits from one country to another. A larger taking of Swiss, Dutch and French goods on the part of other nations would be a logical development in view of pent-up demand occasioned by their long adherence to a deflationary policy. The exchange of goods will, of course, be further facilitated by the general uptrend of business activity now discernible in varying degrees in nearly all nations.

Of course any betterment in trade relations should contribute substantially to forestalling conflict. Improved business conditions on the Continent would do much to lessen the fundamental forces behind the war clouds,—the strangle hold of dictatorships, whether they are of the Nazi, Fascist or Communist variety.

This is not to say that dictators will be swayed in their ambitions or that rearming will be checked, but that a touch of prosperity will go a long way in tempering radicalism and undermining despotism. Civil strife in France has grown increasingly threatening since the Spanish revolt emboldened the Communists; but if

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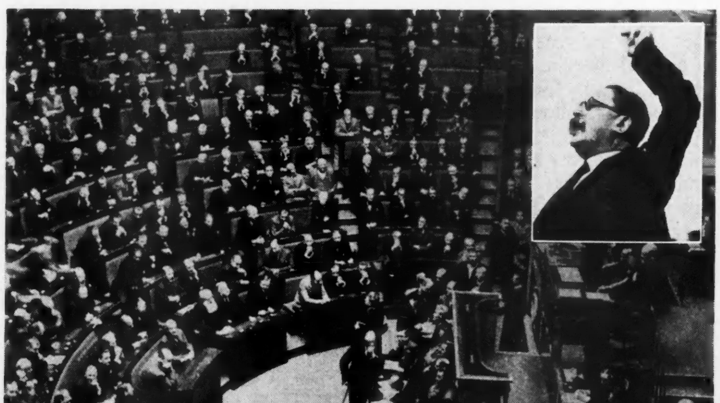


Swift Photo

The French Chamber of Deputies and Premier Blum

What's Ahead for the Market?

By A. T. Miller

DURING most of the past fortnight the stock market's performance could be appropriately summed up in baseball parlance with: No runs, no hits, no errors. Indeed, this publication's index of 295 stocks fluctuated within a range of little more than one point, representing a new high in investment and speculative indecision.

As this is written, however, the strongest rally in many weeks has made its initial appearance, reflecting a strengthened technical position brought about by the preceding resting spell and coinciding with publication of the latest *Literary Digest* poll on the presidential election and the announcement by Alfred E. Smith, ex-Governor of the State of New York and the Democratic presidential candidate of 1928, that he will support Mr. Landon's candidacy and campaign for him.

As measured by the daily Dow-Jones industrial and railroad averages, the market has reached a new high of recovery on the rally, the movement being accompanied by substantial expansion of trading activity. As far as it goes, this must be accepted as a highly favorable technical development. The "follow through" performance in the immediate future, however, is of equal significance because the Dow-Jones industrial average on several occasions in recent months has reached new highs by a small margin, without touching off sustained general advance. Indeed, each such rally heretofore since June was followed by at least some reaction.

Our own broader stock index ever since last spring has proved a more reliable measure of the general trend than any average made up of a limited number of selected leaders. As the accompanying chart shows, this index for some time has been bumping along a ceiling of resistance marked out by a double top with peaks in early April and in August. For some six weeks in the spring it held within a trading range of less than 5 points, then suffered a full intermediate reaction of around 18 per cent. Its sluggishness around the top of the range that has prevailed for so many months has suggested a slackening in investment demand for the general run of stocks, as compared to the confident demand present throughout most of 1935, and has indicated that without such investment demand speculation could not make sustained headway.

It is impossible to foretell at this writing whether the current rally will be strong enough to find significant reflection in our composite index. Meanwhile the short-swing trader can find a clue in the early movement of the more sensitive averages published daily. If these extend former average highs by a substantial margin and on confident volume, it will justify the assumption that the recent stalemate has given way definitely to a new period of optimism and will support a more confident short-term speculative policy.

Regardless of the immediate course of the market, the odds remain preponderantly on the bullish side so far as investment commitments and longer range speculative policy are concerned. Our view heretofore has been that the market would be justified in doing little of significance until after the election in early November, unless there developed a stronger general conviction as to the outcome of the election than had prevailed in recent weeks. It would be premature, we think, to assume that the current rally means such a conviction has been established. Possibly it reflects a revival of optimism as to the autumn business outlook, regardless of the political trend, together with widespread satisfaction that the long awaited currency revaluation by the gold bloc nations has at last become a reality. In any event it bears out the view that in a bull market there is little percentage in worrying about temporary reactions and flat spots.

Regardless of the general trend, however, it is worth emphasizing again that in the irregular markets since last February very little profit has been made by speculating in the "averages." There is no dearth of opportunity for the discriminating buyer whose eyes are glued to the all-important matter of corporate earnings trends. Against rising earnings, all general market factors such as European war scares, franc devaluation and political uncertainty can be ignored.

For example, we have recently seen persistent buying in the farm equipment issues, based on a combination of bullish factors. First, this group experienced a substantial reaction on the reasoning that the recent drought took the speculative bloom off of such stocks, then remained static for a period of weeks—the result being a strengthening of the technical position. Second, reappraisal of the situation led to the conclusion that despite the drought the year's expansion in sales of farm equipment was so large as to indicate the probability of earnings far above those of a year ago, especially for companies affected by leverage in capitalization or plant set-up. Third, the pledge of large Federal farm benefit expenditures made by both presidential candidates must

The best rally in several weeks is in progress on rising volume of trading. Attainment of a new average high by a decisive margin in the immediate future would justify a more confident short swing policy. There is no change in bullish investment policy.

be regarded as of bullish longer term significance to the farm equipment makers.

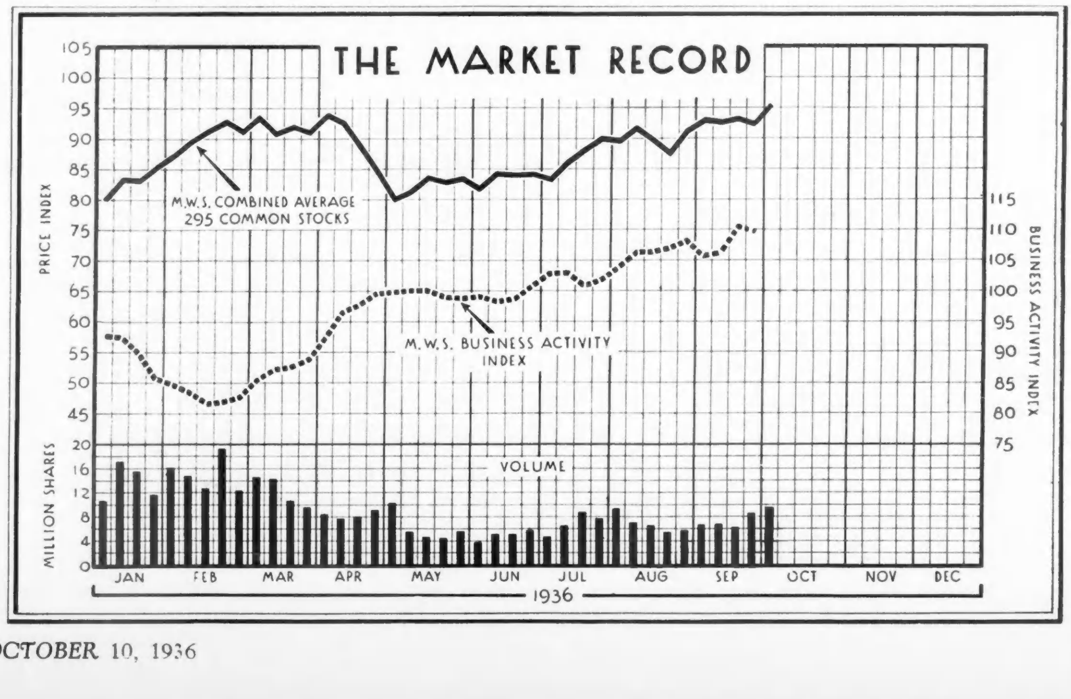
That relatively few equities of market leader type have made new highs is neither surprising nor particularly alarming, in view of the broad previous appreciation of most such issues between March, 1933, and the spring of this year. Indeed, it naturally follows that from the present level of economic recuperation the largest percentage gains are promised either in stocks which are still in a depression range, such as heavy steels, or in secondary issues, even though some of the "Blue Chips" may again come to life in the present rally.

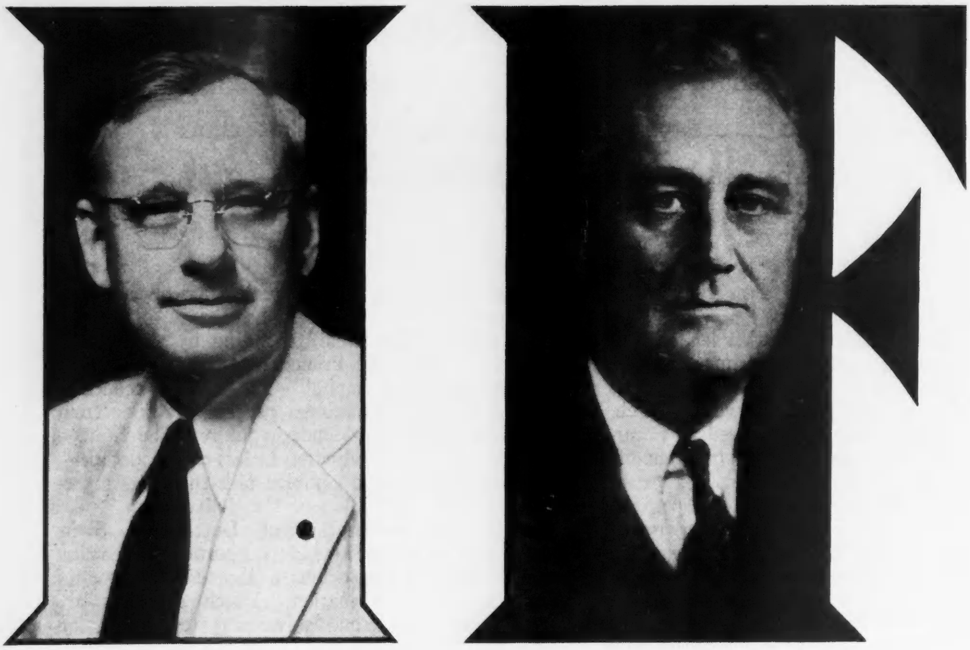
Now that the recent excitement over devaluation by France, Holland and Switzerland has abated, it is possible to take a calm view of the probable economic consequences. It is probable that some repatriation of European funds from this market will result, but until the revalued currencies are firmly fixed to gold and confidence in their stability is established the capital movement will neither be large nor fast. For obvious reasons, France is the most uncertain spot. War fears, though somewhat lessened, are still a definite factor there but not in Holland or Switzerland. Moreover political and social instability at present is far greater in France than in either Holland or Switzerland. The French Government's deficit is too huge to be more than partially cancelled by the mere fact of franc devaluation and a strong business revival in that country depends even more on the steps to be taken by the Blum government in coming weeks than on currency realignment.

Continued "New Deal" spending by the French Government will give French investors scant reason to repatriate their capital. The French economy, banking system and national psychology differ from ours. Establishing confidence in the revalued franc—the second French revaluation in less than a decade—is a more difficult and complex task than was represented in our revaluation of the dollar.

In contrast repatriation of Dutch and Swiss funds may be of considerable proportions in coming months and this constitutes a short-term factor of uncertainty in our market. Dutch securities are already showing strong advancing tendencies, an inducement for repatriation of funds now in America. On the whole, however, the recent currency developments are decidedly hopeful in long term implications of increased world trade, greater European political stability and even possibly some relaxation in war fears. Meanwhile our commodity markets show no visible effect, good or bad, and are not likely to be importantly influenced.

At home industrial activity in some lines begins to take on boom-like characteristics, with complaints of shortages in materials and transportation facilities. This is notably true in the steel industry, where operations have moved up to a new recovery high, despite seasonally curtailed activity in automobile production. With motor output rising, peak steel activity this autumn may be the best since 1929.





Business Views the Coming Election

By John C. Cresswill

BUSINESS sentiment in this country is overwhelmingly opposed to the re-election of President Roosevelt and is ardently in favor of Landon. Business knows that the New Deal has lost much public favor, for this has been shown by reliable national polls, by Republican gains in the recent Maine election and by primaries in Michigan and Massachusetts—but it does not know whether the turn in the tide has gone far enough to defeat Roosevelt. With the decision just a few weeks away, business men are in greater doubt as to the outcome of an election they regard as of crucial importance than they have been in any pre-election campaign since 1916.

Under the circumstances it would seem logical that current business activity should reflect uncertainty, doubt, fear; that trade should languish; that purchasing agents should cautiously clamp shut their corporate pocketbooks; that projects of factory modernization and expansion should be deferred; that industrial production should suffer a severe reaction.

Yet nothing of the kind is evident or probable—and here we have a striking paradox. In one breath the average business man will tell you that he regards the defeat of Roosevelt as of paramount importance. In the next breath he will tell you that he expects excellent fourth quarter business activity and further economic progress in 1937.

For this seeming paradox there are several explanations which merit individual consideration.

First, economic recovery itself is the most potent political stabilizer. In current psychological effect, it matters not whether that recovery be sound, artificial or partly both. Among the majority of individuals hope replaces discontent. Mass "urgings and surgings" subside. Demand for economic nostrums and political magic fades away. Politicians, ever prompt to meet public demand, turn from experimentation to the effort to consolidate recovery and claim credit for it. Maximum public discontent and unrest always coincide with acute depression and deflation. This is what we had in 1933. It is what France has today.

Second, since the tide of popular favor for the New Deal has receded, it follows that Republican representation in the next Congress, especially in the House of Representatives, will be substantially increased. Whether there is a Republican majority in the House or not, this means there will be a more effective and coherent opposition party. It means greater debate on and more orderly consideration of important legislation; a retreat from Administration-written "must" legislation rushed through by steamroller tactics; a return to representative government.

Third, substantial losses by the New Deal will greatly influence the individual political strategy of numerous members of Congress. The great majority of professional politicians ride with the wind, never against it. Among Democratic members the logical strategy has been to "go along with Roosevelt," for Roosevelt demonstrably was the great vote getter. That is why not a few Democrats and some Republicans voted for New Deal measures against their personal and private convictions. Defection of an important percentage of voters from the New Deal gives these men less reason to "go along," more reason for independence now. All 435 members of the House of Repre-

sentatives and thirty-two Senators face another election just two years hence. That fact will be uppermost in their minds and will shape their legislative attitude from the very first session of the new Congress next January.

Fourth, the artificial business stimulant afforded by heavy government spending and consequent inflation of bank deposits cannot possibly be suddenly withdrawn, regardless of the outcome of the election. While Landon is pledged to eliminate "waste" in the relief program, he has also pledged himself to do it without curtailing succor to the worthy unemployed. Moreover, Landon is pledged to a program of farm benefits which would not seem to make any economies possible. In these two avenues—relief and farm benefits—we have the bulk of the emergency spending. Under either Roosevelt or Landon any tapering off in the flow of Federal funds will necessarily be gradual and can be more than compensated for by accelerated use of private surplus funds, a huge total of which now lies idle in bank deposits, or by private credit expansion via bank loans or security issuance.

The above four considerations overlap. In varying combinations, they constitute the reasoning—conscious or subconscious—in the minds of business men who profess to be in holy terror of the re-election of Roosevelt but who show no sign of terror in the daily conduct of a satisfactory and growing volume of business.

Assuming for the moment that Roosevelt will be re-elected, let us pose the question: What is the status of the New Deal today, as edited by the Supreme Court? Looking back objectively, the most important New Deal steps were depreciation of the dollar, relief and recovery expenditures, government refinancing of home and rural mortgages, the N R A, the A A A, the recriprocal tariff policy, the labor legislation, the "yardstick" utility policy and the financial and banking reforms.

Dollar depreciation is politically a dead issue, a fact accomplished. Most intelligent people, even when critical of the method by which it was done, credit it with halting deflation as it did in the case of Great Britain. There is no public fear of the dollar, there is no public clamor for return to a convertible gold standard at a permanently fixed gold parity—certainly not until international stabilization is possible.

As for the spending, it is agreed that it was necessary—the debate centering on whether it has been overdone and on how soon and how rapidly it should taper off. Under Landon it probably would taper off more promptly than under Roosevelt. Under either, the Government's deficits would be likely to decline rather rapidly as business recovery brings in an unprecedented flood of revenues from present tax rates.

Though some loss may result from the H O L C and Farm Credit refinancing, these measures were and are popular. Landon does not attack them. Whether they prove wise and effective in the long run, the financial and banking reforms also are popular. Landon does not attack these.

The N R A was nullified by the Supreme Court but as a political issue it met a gradual death when the course of events increasingly demonstrated to the public that our first sustained recovery in business activity, employment and payrolls developed after this experiment was dropped and not while it was operative. Whatever Roosevelt's personal philosophy may be, we believe he is too able a politician to risk reviving an issue that has lost virtually all popular appeal. Even should he attempt to do so, the chances are that opposition in Congress from both Republicans and conservative Democrats would prevail.

Like N R A, the A A A was killed by the Supreme Court but it really met its final political doom when the great 1936 drought proved that such coercive form of crop regulation was both unsound and politically dangerous. In the respective farm programs put forward both by Roosevelt and Landon at present, there is no issue of concern to business men. Under neither will coercive regulation of farming be revived.

This leaves for consideration the labor relations act, the reciprocal tariff policy and the utility policy. Landon has made no attack on the labor act. Inferentially, he opposes the tariff policy but has not yet clearly indicated an alternative program. Except in some sections of the Northwest, this is not an issue over which the public is excited; and many critics of the New Deal favor this policy. It may be inferred that Landon would be inclined to "soft pedal" the Government's competitive utility policy, but he has said little about it and his running mate, Col. Knox, has spoken in favor of Federal public works and in favor of completing the vast power projects already well under way.

In short, Landon approves of most of the *objectives* of the New Deal and the primary issue is not one of objective but of method. Curiously, some of the contested measures of the New Deal—such as the labor act, the utility holding company act, the social security act and the securities exchange act—stand today in greater danger of repeal by the Supreme Court within the next year than of repeal at the initiative of Landon, should he be elected. This is because, in the first place, Landon favors the principle in most of this legislation, and, in the second place, as President he would be confronted at least by a Democratic majority in the Senate and this majority would be more likely to modify New Deal laws with the aim of making them workable than to repeal them.

To business men the appeal of Landon is chiefly on the administrative side. They believe recovery would be sounder and safer under his leadership; that the credit of the Government—though not now seriously questioned—would be safer. They know that there are troubled times ahead in the world; they are disturbed both by Roosevelt's frequent shifts of position and by his failure to enunciate clearly and simply his objectives and the methods he proposes to employ. They would feel considerably more comfortable in seeing Landon, rather than Roosevelt, fill the next vacancy or vacancies on the Supreme Court. Above all they distrust the high degree of personal domination of government represented by Roosevelt, his "rabble rousing" inclinations to stir up class hatreds in repeated public utterances, his demonstrated addiction to factional and partisan government. They believe that Landon by temperament is a negotiator rather than a dictator. Even if he were not, they know this role would be forced upon him since he would face a Democratic majority in the Senate, regardless of the scope of Republican gains in the House.

Yet regardless of all differences, the primary fact is that under either Roosevelt or Landon the major task of the

(Please turn to page 802)

Happening in Washington

By E. K. T.

Currency stabilization is regarded as virtually a fact through joint British-U. S. consent to devalution of French franc, though Treasury will not admit it in so many words.

Reservations by both countries of independence of action to preserve national economies is considered largely political window-dressing. *Observers think both U. S. and Britain believe currency war has gone far enough, that henceforth pound, franc and dollar will be maintained at stable ratio. Other currencies are expected to fall in line and stay there.*

Gold content of the dollar probably will not be altered again during life of law permitting President to do so. But Treasury will ask for continuation of its $2 billion stabilization fund in order to maintain international currency ratios in event minor currencies fluctuate sufficiently to affect dollar-pound-franc line-up.

Fact of French devaluation, talked of for three *years,* now removes one great uncertainty in world finance; clears the atmosphere greatly, barring possibility of European war.

Politically, the agreement can be cited as justifying the New Deal's policy of giving the executive power to act quickly on monetary matters. But opponents can say the agreement is three years late; that it should have been reached at 1933 London economic conference from which U. S. took a walk; that after three years of costly currency experiments the New Deal finds itself right back where it started.

World trade should benefit somewhat from currency stability. French exports, tourist trade, will improve, imports fall off. Some French and other European money invested in U. S. will be repatriated, but other fears on the Continent may keep much of it here. French tariffs and quota restrictions may be eased as a result. The U. S.-French reciprocal trade agreement contains a clause permitting modification in case of currency upsets, but it is not expected to be invoked in near future.

Washington Sees—

Currency stabilization benefiting world trade, eliminating uncertainty over value of the dollar.

Politics in the home stretch.

Parties out-bidding each other to attract farm votes.

Crop insurance the newest farm panacea.

Gradual easing of government farm lending.

Federal aid to consumer co-ops forgotten until after election.

Labor back in the headlines in November and thereafter.

More laws in the making to help independent merchants.

Battle for ballots nears a climax, with campaigning at crescendo. Look for both parties to explode all sorts of bomb-shells during next three weeks.

Roosevelt's open admission that a campaign is underway aids morale of his party workers. But his non-political campaign prior to taking the stump worked very well, maintained his reputation as a master politician. His series of moves in capacity of president did much to offset promises and attacks of his opponent.

Democrats' intensive political activity is not so much in fear of losing the election but to roll up as large a popular vote as possible. Roosevelt and advisers feel confident New Deal will be returned to office, but want a large vote of confidence. *Note that all of Roosevelt's public and private acts are based on assumption that he will be in White House next year. There are no "ifs" in anything he says or does.*

Farmers are pawns in political game, as usual, but stakes are higher this year than ever. The sky's the limit, with each party trying to outbid the other in what used to be called farm relief, now farm benefits. Each party will pay cash for soil conservation; each will experiment with crop insurance; each will widen farmers' credit facilities; each will aid tenants to own farms. To this Landon adds protection against agricultural imports and some sort of export subsidy.

Bankhead farm tenant bill apparently gets White House endorsement through President's letter asking Alabama Senator and others to meet in December and prepare legislation to aid renters and share-croppers. Last year this billion-dollar proposal nearly passed the Senate without presidential support. It would provide 100 per cent, 60-year, low-interest loans to selected tenants in selected areas. Effects, among others, would be to bail out land owners and land-poor banks and insurance companies and substitute U. S. Government as landlord.

But support of Bankhead bill at this time takes the political sting from current Arkansas peonage investigation.

Crop insurance is just around the corner. Committee appointed by President was directed to draft legislation for early enactment. Actually Secretary Wallace and aides have been working intensively on plan for months, making actuarial studies on staple crops. His plan is not such as private insurance companies would write, but combines production control through link with soil conservation payments and also Wallace's pet ideal of "ever normal granary."

Insurance premiums and benefit payments would both be in commodities, normally, thus apparently limiting plan to non-perishable crops. Farmer would be insured against all risks up to 75 per cent of "normal" crop, meaning six-year average, government giving him commodity equal to difference between harvest and 75 per cent. If harvest exceeds 100 per cent, farmer would turn portion over to government. Plan so far is tentative, but well advanced. Many hurdles and pitfalls ahead.

Sympathy with crop insurance is expressed by farm organization leaders, but they are not committed to Wallace or other definite plan.

Farm mortgage policy of Farm Credit Administration, on long-time view, is to be liberal in appraisals and lending when land values are low and strict when they rise above what is considered normal. Aim is to prevent violent fluctuations in farm values, keep mortgages related to farm earning power. This was discussed by President Roosevelt and insurance company heads he called in recently. Farm values are now rising but not yet up to pre-war index; F C A's lending of past three years has helped this as well as stemming foreclosure flood.

From now on F C A will taper off farm lending, stiffen up on appraisals. A gradual program, nothing drastic. *This means that insurance companies, banks, other farm lenders, will have somewhat less government competition in near future and if land values go way up government, via Federal Land Banks, may call the turn by keeping appraisals very low.*

Re-insurance of insurance policies through government agency similar to federal (bank) deposit insurance corporation has been talked by New Dealers, but was immediately hushed up until after election because of Colonel Knox's charge that government credit inflation makes insurance unsafe.

Consumer co-ops will be kept on ice during balance of campaign. Roosevelt's investigating commission sneaked back from Europe without publicity and has made no report. There are rumors of internal dissension. Politically-wise advisers caution administration against anything which might antagonize small business men. *Nevertheless, Scott bill to give government credit and organizing aid to consumer co-operatives may be pushed in next Congress. It received a hearing last spring.*

Maritime commission appointments on temporary basis is admittedly a stop-gap. Interested groups could not agree on who should be appointed, but law required certain filings with commission within 90 days of law's enactment, and strike situation of Pacific coast was getting so serious that further delay was impossible. Temporary commission proved happy solution for Roosevelt, politically, since permanent appointments now will not have to be made until after election.

Labor troubles, except at West Coast ports and scattered spots, are fewer than had been anticipated. But in the spring coal, steel, and automobile industries will have much labor talk, perhaps some strikes. Organization of steel and auto workers apparently is more difficult than anticipated; perhaps organizers are going easy until after national election.

November convention of A. F. of L. will see showdown on craft versus industrial line-up. Indications show many unions still in federation sympathize with ousted groups forming Committee for Industrial Organization.

Strike-breaking, labor spy, tear gas disclosures by Senate committee investigating industrial espionage and anti-union activities are calculated to play on public sympathy for union labor. Will aid in Congressional approval of various pro-labor bills.

Tax publicity warning by Attorney General Cummings was misinterpretation of law, either innocently or politically. Democrats are alarmed at Republican stress on taxes, present and future, particularly publicity by them and by merchants as to how much of price of every-day articles represents taxes. Cummings mentioned law providing fine of $1,000, year in jail, for representing that federal taxes are included in a price. Panicky business men protested. Internal Revenue Bureau gave assurance that its interpretation of this old statute is that it applies only where such representation is known to be false; its regulations specifically permit tax publicity on theater tickets, gasoline pumps, and sales invoices where excise taxes are involved.

Capital Gains Tax may come up for revision. Idea is to separate it from income tax and revise schedule downward. Senator King will probably sponsor new legislation to revise current law.

If capital gains tax were repealed or even revised down-

(Please turn to page 806)

What the Presidential Polls Show

The latest results of the Literary Digest poll show that the total vote is 438,601 for Landon, 282,524 for Roosevelt and 29,083 for Lemke. Landon's lead, therefore, has been cut from three-and-a-half to two to less than three-to-two. The Republican candidate leads in twenty-one states, having 290 electoral votes, while the Democratic candidate leads in ten states, having 111 electoral votes. Such states considered doubtful as Pennsylvania, Ohio and New York are shown to be in the Republican column.

The Baltimore Sunpapers' Presidential Poll shows Mr. Roosevelt leading by a big margin in Maryland. It gives him more than sixty-three per cent of the total vote, the best he has attained so far.

A poll, limited to villages, towns and farming areas, being conducted by some three thousand country newspapers in co-operation with the Publishers' Autocaster Service and the American Press shows returns for the sixth week as follows: Landon 447,973, Roosevelt 296,882, Lemke 36,605. Landon leads in twenty-eight of the thirty-nine states reporting.

This is contradicted by the American Institute of Public Opinion poll which gives Mr. Roosevelt 53.2 per cent of the total vote. This poll shows Ohio in the Democratic column but, as with the Literary Digest, New York and Pennsylvania in the Republican column.

Buying Groups
Producers' Co-ops
Chain Retailing
Department Stores
Gas and Oil
Power and Light
Insurance
Communications

Wide World Photo

Consumer Co-operatives Are Growing

How Much of a Threat Are They to Retail Trade or to the American Profit System?

By Henry D. Ralph

BUSINESS is becoming alarmed at the sudden interest in consumer co-operatives in this country. Trade associations are studying the subject avidly, making plans to meet this new form of competition. It has thrown something of a scare into many business quarters.

President Roosevelt sent a special commission to Europe to study consumer co-ops, presumably to see if the idea could be fostered here with government aid. This commission is about ready to report, and already lines are forming to prevent Congress from granting subsidies to consumer co-ops which compete with private business.

The co-operative movement is not new. It exists in some 40 countries, has flourished in England and the Scandinavian countries for two generations, and is already well established in many lines of activity in the United States. By itself a consumer co-op is simply another form of doing business, and private merchandisers feel that they can meet its competition. The fear is that the government will subsidize the co-ops, that the administration may use them as an instrument to attack the profit motive and to break up big business.

What is a consumer co-operative? Basically it is simply a buying club. A group of people decide to pool their orders, buy at wholesale, and divide the savings. If successful they increase their membership, take on additional commodities, and finally join with other local groups in doing their own wholesaling. The next step is to acquire factories to produce their own goods, but while this is being done extensively in Europe there are only a few minor instances of it in this country.

This sort of thing has been going on spasmodically since the country was settled, but in most cases it has been no more of a threat to private business than a community barn-raising bee is a threat to the construction industry. Consumer co-operation has met the needs of some people all the time and many people some of the time, but it has never caught hold in a big way in the United States. Its enthusiasts declare that changed conditions and perfected methods have brought the movement to a point where it is ready to spread like wildfire and that in a few years it will dominate our economic life. But there are many obstacles to the wide and rapid growth of consumer co-operation.

If this were not so the movement would have become dominant long ago.

There are many kinds of successful co-operative ventures in this country today. A mutual insurance company is a type of consumer co-operative which, while strong, has not driven competing companies out of the field. Building and loan associations and mutual savings banks are another form which have long existed side by side with competing institutions run for profit. The so-called voluntary chain store, or retailer-owned wholesaler, is a well-established and growing type of co-operative which is not considered a particularly vicious threat to private enterprise. Farmers' co-operative marketing associations have grown to a point where some of them, like the California Fruit Growers' Exchange, dominate the market, and yet few people think of them as undermining our economic system.

These examples show that co-operative enterprise is not necessarily incompatible with private capitalism; the two systems can exist side by side and competition will determine the ultimate survivor.

But, say the disciples of co-operation, these are not true consumer co-operatives in the proper sense of the term. Either they are producer co-operatives established to reduce the cost of manufacture, which is only a variation of the profits system, or they have got away from the basic co-operative principles. Real consumer co-operatives, the enthusiasts insist, will slowly but surely wipe out the profits system, drive capitalism off the face of the globe, and create a new economic and social order.

To substantiate their predictions, they point to European developments and to a number of apparently quite successful true consumer co-ops in this country.

It is true that consumer co-ops have been very successful in several European countries where they now dominate certain merchandising fields; it is true that the co-op movement is spreading throughout the world; it is true that in this country a number of consumer co-operative societies have survived prosperity and depression, have proved of real value to their members, and have now reached the point of growth which their sponsors feel is the groundwork for a tremendous surge in activity and a real threat to private business. But it is yet to be proved that the American temperament and American economic conditions provide the proper soil for an extensive growth of the movement.

The idea of consumer co-operation has been interwoven with European history for more than a century, but the first really successful co-op was started in 1844 by 28 weavers in Rochdale, England. They pooled their savings, bought a small stock of food staples, and opened their own retail store. From this puny venture has grown the whole English co-op system which now includes some 7,000,000 families and does 12.5 per cent of the retail trade in the country. The English co-ops have their own Co-operative Wholesale Society, operating 150 factories, tea plantations in India, a fleet of ships, and conducting an extensive international trade with co-ops in other nations. The Swedish co-op does 20 per cent of the retail trade of Sweden and 10 per cent of the manufacturing.

The success of co-operatives everywhere is said to depend on adherence to the Rochdale principles, which are essentially that each member has but one vote regardless of number of shares held and surplus is distributed to patron-shareholders on the basis of their purchases.

Consumer co-operation in the United States has had a sad history. In the series of depressions following the Civil War various labor and agrarian movements attempted consumer co-operatives without lasting success.

Early in this century, however, co-operative marketing of farm products began to make headway, particularly under the auspices of the Farm Bureau movement and in the northwestern states. Co-operative farm marketing is now firmly established and in general quite successful. For several years the federal government has aided it with financing, exemption from taxation and anti-trust laws, and with educational and organization work. To most Americans the word "co-op" means a producers' co-op.

A more recent phase of the producers' co-ops is the collective purchasing of supplies. Many of the more aggressive co-ops have built up sizeable business in supplying their members with fertilizer, feed, petroleum products, farm machinery, and many other goods. Most of these deal only with production goods, though some have retail stores through which members may purchase consumer goods. Farmers' purchasing co-ops have doubled their business in the past 10 years, according to the Farm Credit Administration, and the 2,000 organizations of this type did a business of $187,000,000 in the 1934-1935 season. In addition, sideline purchasing activities of marketing co-ops totaled $90,000,000. There are some 2,000 farmers' mutual fire insurance companies, 3,000 mutual irrigation companies, 5,000 co-operative rural telephone lines, and 5,550 farmers' co-operative credit associations financed by the F C A. The Rural Electrification Administration is financing hundreds of co-operative power lines.

While co-operation has grown among farmers it has not made much headway with city consumers. There are isolated examples of quite successful city co-ops. Negro groups in Gary and Pittsburgh, milk co-ops in Waukegan and Minneapolis, are such. Consumers Co-operative Services in New York has a chain of 11 cafeterias and an apartment house. Co-operative gasoline stations can be found in many cities.

The most recent large-scale attempt to foster the move-

(*Please turn to page* 796)

G. A. Douglas from Gendreau, N. Y.

Co-operative gasoline stations are growing

Aviation Begins to Earn Money

Well Managed Companies Face Improving Prospect With Big Developments Ahead

By Charles M. Turner

AVIATION is beginning to show profits. The trend is in the right direction. This is not to deny that dividends for several years to come will be limited to a very few companies nor can it be said that those observers are entirely wrong who contend that aviation is still very much of a speculation—that profits will partake more of the nature of a trickle than a golden flood. The big point is that improvement is underway and tangible results are becoming evident.

The New Deal split the investor's aviation into a variety of separate parts when it cancelled the air mail contracts and threatened even more drastic punitive action, either by law or ukase, if holding companies and others did not cease building and operating their own aircraft equipment. As the air lines could not discard the idea that they were dependent on mail contracts and therefore on the good will of the Administration, and as the manufacturers by and large were fearful that the Administration would try building military machines in Government plants, thereby wrecking the private companies, the great majority of big corporations have reorganized and are now confining activities to either manufacturing or transportation. Thus the investor, with few exceptions, puts his money in either a manufacturing or an operating enterprise.

In recent months the manufacturing picture has taken on brighter tones, although one should know his company inside and out, its history, its management and its business prospects, before buying its stock. There are now about 60 so-called aircraft manufacturing companies. Only 22 are worth a second thought from the investor's viewpoint, and half of them in all probability will lose their capital and either reorganize or go out of business. The 10, or perhaps 12 companies, which may be termed sound are now enjoying vastly improved prospects for profitable business.

Improved business conditions throughout the country are reflected in the growing sales of commercial planes for private owners and miscellaneous operators. During the first six months of 1936 sales of machines carrying two, three and four persons increased 63 per cent over sales for the same period last year; 592 machines as compared to 363. Some companies are preparing for a 100 per cent increase in commercial sales during 1937. Their distributors report an unusual number of prospective customers, the chief reason being that an air-minded generation during the years of the depression has been reaching the age where it might fly if it had the money. Today there is a steady increase in the number of persons who are determined to fly for sport and pleasure. There is a noticeable increase in the number of students in the flying schools. Airport activities have expanded.

More business houses are using planes. More machines are being used in aerial hacking on the multitude of jobs

Photo courtesy T. W. A.

Loading mail and express while passengers embark for a transcontinental flight

that only a flying machine can perform adequately by reason of its superlative speed, especially where saving time means saving money. The export market has stood up very well in the light commercial plane field. American planes are popular the world over. Some of the manufacturers have developed really profitable markets abroad.

No other industry came through the depression in better shape. The aircraft manufacturers started trimming sail late in 1929, and they have kept their sails trimmed to suit the winds of business. They have been able to keep their inventories at an absolute minimum, building new models only in numbers sufficient to fill orders. Selling commercial aircraft has become an exact science. The construction processes have been improved steadily. One now receives more for his money when he buys an airplane. He gets a faster ship, or a more comfortable plane, designed to fit his own requirements; and he knows that the materials in it will stand up for years. Airplanes are now like motor cars; they do not wear out. That encourages initial buying. The development of navigational equipment, improved airports and airways, greater facilities for repair, overhaul and servicing, all are factors in the present development of private flying.

Many of the companies build both private and transport models. Both light and heavy transports are sold to air lines and business houses. Some are acquired by private owners who use them as they would use a private railway car or a yacht. That business shows steady growth, although no company expects to make it profitable for some years to come. It helps take care of the overhead, however.

Courtesy, T. W. A.

Skilful maintenance adds to safety and life of planes

The machines acquired by the air lines can help a company show profits if it does not lose repeat orders to competitors who have produced something either faster or more economical in operation cost. A number of the larger, more substantial companies are now working on new transport equipment, some of it gigantic in size. Whether they will make money with the new models is a matter of mere guesswork. The builders themselves do not know. They do know that they must keep on turning out better machines year after year if they are to stay in business. Other companies are producing lighter transports for service on routes where light traffic does not warrant heavier equipment. In this field the prospects are unlimited.

Only a few hundred cities have air transportation today. The thousands of large towns which make up the bulk of trade and supply most of the travel are without regular air service. Only the trunkline systems exist. If the history of the railroads, trolley cars and bus lines is to repeat itself in the air, then the day is approaching when feeder lines will connect nearly all towns with the main key routes. There is some evidence that feeder line systems will begin a new phase in air transportation during the next two years. It depends on general business conditions and the need for such service. When feeder lines do develop they will provide a rapidly expanding market for the manufacturer of commercial aircraft, a most profitable market, because each sale will mean not one but several units. Meanwhile, those plants turning out the best transports today are selling more ships every year, and they are also developing markets abroad. American transport equipment is now used in nearly every country in the world. Unfilled orders for large and small transport planes represent a considerable volume of business that should brighten many company reports during the next 12 months.

With few exceptions the manufacturers of commercial planes are either selling or trying to sell machines to the national defense departments of the Government. Unsettled conditions abroad, the active rearmament programs of other great powers and the need for adequate air strength here have combined to set up a building program much larger than any adopted since the World War. During the present fiscal year the United States Government will buy upward of sixty million dollars worth of planes, engines, instruments, spare parts and other aircraft equipment. These orders are flowing into the industry, in some cases more rapidly than the industry can absorb them; although several plants have little or no business from the services as yet. One company has more than it can do. Another has so much commercial and Government business combined that it is constantly expanding its manufacturing facilities. Another is making reasonable profits on a relatively small order, with absolute certainty of repeat orders that should show adequate profits. A half dozen companies are now bringing out experimental military equipment which must lead to profitable production orders.

Some big planes are being projected by well-known companies. The present Boeing bomber, rated superior to any abroad, is said to be only a small brother of a new model now in the engineering stage, a veritable giant, possibly twice the size of anything flown heretofore. Boeing also has filed patent papers on a new type giant flying boat approaching the dimensions of a destroyer.

Douglas is working on a giant four-engine transport wider than a Pullman car and seating between 40 and 50 passengers. Douglas also has gone into the big flying boat field. Consolidated Aircraft is developing flying boats much larger than its present edition built for the Navy. Sikorsky and the Glenn L. Martin Company have in various degrees of engineering new models of flying boats that make the present "clipper" ships look like toys.

Curtiss-Wright has new pursuit and attack planes so superior in speed that the smallest details about them are being closely guarded as military secrets. The Chance Vought division of United Aircraft is working on a fast ship designed to drive all competitors out of the air. Aircraft costing a million dollars each will be commonplace within the next two or three years.

Both the Army and Navy boards responsible for main-

taining an adequate defense system are committed to the policy of developing our air force strength. One may expect that future orders will increase in volume, limited only by the production capacity of the plants that are capable of doing the work, providing the kind of equipment necessary. That means that the Government will be reluctant to let out business to new companies, because only experienced constructors with organizations built up during years of actual practice are capable of turning out efficient military aircraft. The cautious investor will avoid the new company promising returns on prospective Government business, or for that matter, commercial sales based on designs pirated from old line manufacturers.

American commercial and military aircraft lead the world in efficiency of performance and economy of operation. Sales of equipment abroad thus far this year are far ahead of 1935 which proved a record with a gross volume of about eighteen million dollars. It may aggregate twenty-three million this year.

Briefly, the aircraft manufacturers are in better shape financially than they have been for many years. Many of them are showing profits as compared to little or none 18 months ago. Those still using red ink on their balance sheets have reduced fiscal losses materially, with every prospect of emerging into fair balances in 1937.

Boeing's sales were up during the first six months of the year. Bell Aircraft showed a profit. The Glenn L. Martin Co. reported a $400,000 balance. Lockheed made $40,000 and still had $1,250,000 in unfilled orders. Douglas had $195,000 profit with a vast plant expansion and twenty-three million dollars worth of unfilled orders. Northrop had all the orders the plant could take care of within reasonable time. Consolidated Aircraft's six months' profit was $190,000 with thirteen million dollars worth of business on hand. Curtiss-Wright had a profit of more than $800,000 and an amazing volume of business that should prove profitable. North American Aviation showed a profit for the six months' period, as did United Aircraft.

The air transport branch of the industry remains in somewhat less certain position from the profit standpoint. Because of its real or fancied dependence on mail contracts air transport has continued to be dominated by Washington. Even the salaries of mail line executives are limited by law. They cannot expand their routes and penetrate new territory without much red tape. They are confronted with new problems whenever they improve their service. For example, when a line buys new, larger and faster ships it must seek more traffic to fill them. However safe their operations may be for months at a time, one serious accident creates a bad impression in the public mind and traffic falls off accordingly. While it is theoretically possible for a line to fill all passenger space, at the same time carrying capacity mail and express loads, in actual practice the ships are rarely filled throughout the length of a company's route. Sixty per cent of passenger capacity appears to be the average among all air lines combined.

Building Up Passenger Traffic

During the peak of traffic, when passengers might be numerous enough to fill all space the company lacks sufficient ships to take care of the rush. There are long stretches of route where a line needs twice the number of ships and more schedules, but that same line will have equally long stretches where it invariably operates at a loss. There are two solutions to the problem. One is to build up traffic to a point where a score or more of planes operate in place of the present one or two. Broadly speaking, that will reduce the unit overhead. The second solution is more feeder routes to pour traffic into the main systems.

Meanwhile the air lines face increasingly stiff competition from surface carriers, and in many instances, over some of the main arteries, competition from each other. Reduction in railroad rates discouraged the lines from increasing fares, and even resulted in a lowering of schedules by Transcontinental and Western Air. Low bus fares form an obstacle in many sections of the country. When one line puts on new ships with real berths and charges no more than its competitor still using chairs that leads the latter to cut rates in an effort to keep patrons.

On the other hand a change of policy on the part of the present Administration or a change of administration might alter the air transport picture overnight, because it is known that an air line can operate profitably, provided it has the right kind of a route and is able to develop its business without official interference. The air lines should make profits for their investors.

Improved Service

Passenger, express and mail traffic has been growing steadily this year. Nearly all the lines are improving their service month by month. They have never ceased to improve equipment and reliability of performance. They are rapidly eliminating many items of costly overhead. Their equipment lasts longer, and being faster, is capable of doing more work every 24 hours, so that it can bring in more revenue during its lifetime. Some air line securities should prove profitable investments over the long pull. Here again, it is a matter of company management, experience, available routes for expansion and potential traffic in the future.

Practically all who have been in aviation long enough to know its problems and how solution of certain problems will influence the future prosperity of the industry believe that there can be no great stampede toward the use of aircraft, therefore no mushroom growth of companies or startling, sudden piling up of profits. They look forward to a gradual development in popularity arising out of generally better economic conditions and the recognition of air travel as something to be desired because of its speed. They admit that the flying machine even today is a new and untried thing to nearly all the people. So they have abandoned all ideas of waking up one day to find everybody trying to take to the air. But they know that nothing can stop its steady progress.

In Washington during the next Congressional session there may be an attempt to legislate the industry into bankruptcy. For many reasons there are persons who have personal interests which do not coincide with the growth

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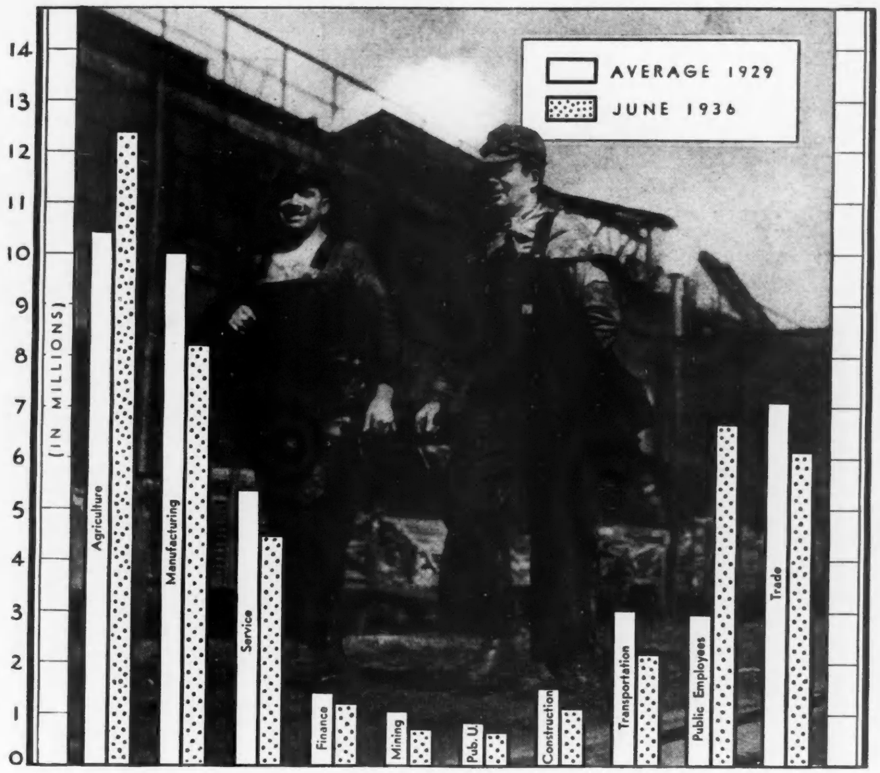
Leading Aircraft Manufacturers

Company	Latest Earnings Per Share*	Price Range 1936 High	Price Range 1936 Low	Recent Price
United Aircraft	0.24	32⅜	20⅝	25
Curtiss-Wright "A"	0.71	21⅛	10½	19
Waco Aircraft	d0.22	10⅛	5¼	6
Consolidated Aircraft	0.33	23⅝	14¾	19
Lockheed Aircraft	0.08	10⅞	6½	9
Douglas Aircraft	0.42(a)	80⅝	50⅝	77
North American Aviation	0.03	10¾	6⅝	8
Boeing Airplane	0.18	31¼	16⅞	30
Martin (Glenn L.)	1.04	(c)	(c)	12

*1st 6 months of 1936. (a) 6 mos. ended May 31. (c) "Over-the-counter" market. d—Deficit.



Employment Nears the 1929 Mark

Why Does the Relief Load Remain So Heavy?

By WARREN BEECHER

RECENTLY the Secretary of Labor stated that there are now more than 46,000,000 persons gainfully occupied in this country. That is a statement of vital significance, with an important bearing on the Government's fiscal prospect and hence of great interest to American business. In a nutshell, it means--if the Government's figures are correct—that the American Federation of Labor and other agencies are cock-eyed in estimating unemployment at from 9,000,000 to 12,000,000 individuals.

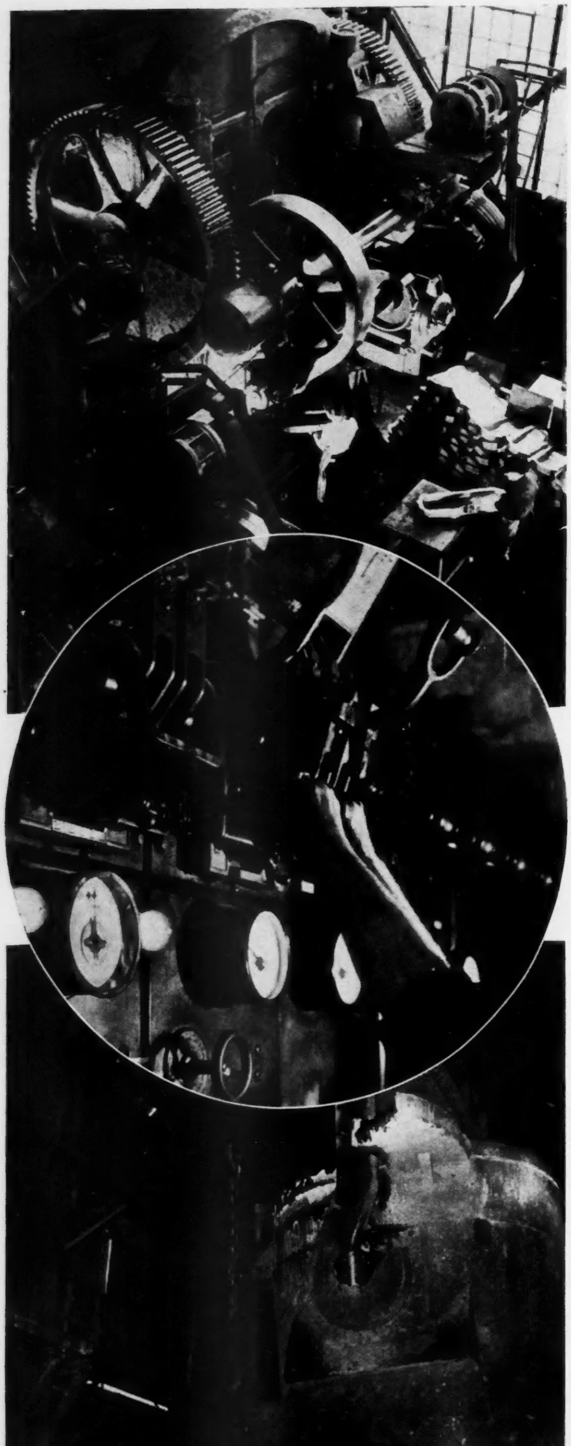
In 1929 there was an average of approximately 47,000,000 persons gainfully occupied and "normal" unemployment in that boom year was estimated at between 2,000,000 and 3,000,000 persons. Since 1929 the net increase in number of employable persons has been about 2,000,000. Allowing for these, the number of unemployed employables appears to be less than 3,000,000 individuals.

Of the total of some 46,000,000 now gainfully occupied, however, 3,000,000 are in emergency government work and hence may be said to lack private employment. Some of these will be retained permanently in our enlarged public services, but without allowing for this the maximum number of employable persons now without private work is less than 6,000,000.

It therefore follows that a full recovery in economic activity, led by the heavy industries which on the average are still 25 per cent under 1929 volume, could readily absorb all employable persons who are willing to work. In short, talk of "permanent unemployment" and "technological unemployment" is the bunk.

Moreover, of the 6,000,000 or less employables now lacking private work, a considerable percentage are unskilled "casuals" who were formerly accustomed to live on their relatives or work only when they felt like it under conditions of extraordinary demand. Getting such as these off relief is not the job of industry. Over the next year or two of recovery industry will readily absorb all competent and diligent industrial workers.

How to deal with the chronic shirkers and with the large percentage of farm hands who are now on relief is the problem of our increasingly paternalistic government.



Lower Photo—Gendreau *Upper Photo—Wide World*

Which Industries Will Benefit In the Next Expansion Phase?

By John D. C. Weldon

"Fear today has many spokesmen; confidence has few." These words were in an editorial in *The Iron Age* of January 5, 1933, discussing the prospect for the steel industry.

"Further gains in output are likely to be limited by physical factors at the mills and not by the volume of business." This is from *The Iron Age* of September 24, 1936.

Four years ago Public Enemy No. 1 was SURPLUS—surplus goods, surplus workers, surplus factories, surplus machinery. Today we are beginning to talk about SHORTAGE—and with good reason, for as growing demand utilizes an increasing percentage of the country's productive capacity it suddenly dawns upon us that our total capacity is nowhere near as productive as we thought it was a few years ago.

Many factories and machines long have been idle, an unused portion of our theoretical producing capacity. Time and idleness have aged them, but working much faster than mere time has been the obsolescence brought about by new technical developments. Hard times put an inevitable premium on efficiency and low cost. In the years during which our manufacturers were producing very little they learned how to produce more efficiently than ever before. As a result much of the equipment thought in 1929 to be the last word in efficiency is now competitively outmoded and capable of use only at burdensome cost.

As late even as 1935 this matter of industrial obsolescence was largely in the realm of theory, a potential thing of no imminent significance. We knew that a substantial proportion of our producing capacity was behind the times, but it didn't matter because we had enough *efficient* capacity to take care of all the demand for goods then available. We have now, however, reached a level of demand for goods at which the cumulative obsolescence and deferred capital expansion of the depression years is coming home to roost in an immediately practical fashion.

To illustrate the point let us cite the example of a hypothetical steel manufacturer, a company which has been in business many years. It has numerous mills, some old, some fairly modern, a few new. To say that today it has a total capacity of so many million tons of steel

a year is utterly meaningless. Some of that capacity is represented by efficient equipment capable of manufacturing steel at minimum cost. Some of it also is obsolete capacity that can be utilized only at high cost. It therefore follows that when this company—as in 1934, let us say—obtains only enough business to occupy 50 per cent of its producing equipment it will, of course, utilize its most efficient equipment and leave older equipment idle. But when volume is sufficient to engage 75 per cent of total capacity less efficient manufacturing equipment must come increasingly into use.

It need hardly be said that from company to company there are endless variations as to the proportion of capacity which is modern and the proportion which either is obsolete or by way of rapidly becoming so. Nor is it possible to speak other than in broad generalities on this question as applied to the country's total industrial capacity.

The Prospect for Capital Goods

Nevertheless there is abundant evidence to indicate that some important parts of our economy are nearing maximum utilization of *efficient* capacity. This is a vitally significant thing in its logical relationship to the next phase of industrial recovery, for however important the psychological factor of "business confidence" may be, industry expands and modernizes its capital facilities only when current demand and the prospect of nearby demand dictate such a course. It is rising demand for goods and the narrowing gap between that demand and the limit of *efficient* capacity that has induced so many corporations to increase their capital expenditure budgets in recent months in the face of a political election which most business men regard as of "crucial importance."

From the present situation two reasonable forecasts may be deduced. First, the backbone of increasing industrial activity from this point on will be capital goods. Second, this type of activity should tend to reduce the ranks of the unemployed at a faster rate than has been the case previously, partly due to the fact that increasing utilization of less efficient equipment heretofore idle will require more labor, partly due to the fact that the rebuilding and modernization of much of our productive capacity will likewise make jobs. As a matter of fact—while it may have been retarded by the abnormal political uncertainties of recent years—this is a normal post-depression sequence. First, reviving demand for goods of all kinds. Second, when that demand begins to tax *efficient* capacity, reviving demand for the capital tools with which to produce goods. When producer goods are in strongly rising demand, there are good times ahead in this country.

Glancing through the industrial trade journals today you will see surprisingly little talk of the coming election but many comments such as the following:

"Owing to restricted supplies of pig iron, scrap and coke and the fact that many open-hearth furnaces are still in disrepair, there is a scarcity of raw steel that is retarding operations of finishing mills."

"Steel companies are straining to eliminate production bottlenecks."

"Makers of refractories are busy supplying fire brick for the rebuilding of open-hearth furnaces and new construction is being rushed."

"A new element in the shipping situation is a shortage of open-top freight cars which, though not yet acute, is causing some difficulties."

"Electric power output last week again made a new all time high."

"Utility men have been warned that if long deferred demand for needed generating equipment is unloosed in a sudden rush after the election the electric equipment companies may not be able to make prompt delivery."

"Prospects for freight car makers increasingly bright. . . . Total of 22,354 new freight cars on order Sept. 1. . . . Railroad rolling stock shortage seen."

"Machine tool orders remain at the highest level since 1929."

"Well informed engineers and accountants credit the current upswing in demand for plant equipment to general business recovery and the development of new and better machinery, rather than to the influence of the Federal tax on undistributed earnings."

"Gain in industrial building forecast for balance of 1936."

"Housing shortage forecast unless building pace quickens further."

According to the best available composite index, activity in capital goods at present is at approximately 87 per cent of the 1925-1927 level. A year ago the figure was 57 per cent; at this time in 1933 it was 48 per cent; and for the same week in 1932 it was 32 per cent. Despite reactions in this advance, especially in 1933 and 1934, we have here a strongly defined trend of recovery over a four-year period.

Never in the history of this country has post-depression recovery in capital goods been halted until all depression losses had been made up and new all time peaks in output of producer goods been established.

In this there is nothing of accident or anomoly. Chart the long term rise in the American living standard, chart the long term line of real wages, chart the long term line of national income, and you will find a close relation to the trend of activity in capital goods. Taking into account such artificial stimulus as is present in abnormal Federal spending and taking into account some uncertainty as to when private credit expansion, either through new security issuance or otherwise, will begin to provide its normal support, nevertheless the logical presumption can only be that the present movement will not terminate short of a level somewhere above that of 1929. We are not here talking of interruptions or reactions, which conceivably could assume considerable proportions as dictated by such possibilities as periods of excessive forward stocking of goods, labor troubles in key industries, disturbing Federal legislation or European war. We are talking of the peak of the present broad cycle.

The 1929 Peak Will Be Passed

If we think in terms of decades or generations, the potentialities of capital goods expansion in the United States are, of course, virtually infinite. We are concerned, however, with the *present* cycle. What are its probable potentialities? Considering the duration and severity of the 1930-33 depression and bearing in mind the existence of a credit base far larger than ever before, we risk the opinion that the present expanding cycle will last at least as long as that between 1920 and 1929, which would mean four more years. Since the credit potential is far more significant than the mere historical precedent of how long major expansion cycles endure, an estimate of four more years of progress without more than intermediate interruption is just as likely to err on the conservative side as on the optimistic view.

Yet assuming even three years of additional expansion, a 1937 gain in capital goods activity equal to that certain for 1936 would carry output of producer goods virtually back to the 1929 peak. This would be a 25 per cent expansion from the present level. Viewing the present

greatly improved position with regard for the huge accumulated aggregate of obsolescence in our industrial equipment, the expansion of the credit potential in recent years and the growth of the population since 1929, it requires very little stretching of the statistical imagination to forecast that within three years—barring some totally unforeseeable national disaster—capital goods activity can readily reach a new all time peak in this country.

For statistical purposes let us assume that 1925 represented a "normal" year. In that year the output of machinery in the United States amounted to $5,077,947,000 or 8 per cent of the value of all manufactured products. In 1933 it was only $2,069,419,000. These are figures of the United States Bureau of the Census. While official figures for certain intervening years and for later years are lacking—this census being taken only at rather long intervals—employment and payroll indexes of the machinery industries afford a basis for rough estimate of the total volume by which machinery output in the years since 1929 has fallen under what it would have been at the "normal" rate of the year 1925. On this basis one can estimate a total accumulated demand of $13,000,000,000 to $15,000,000,000.

Such figures, however, make no allowance for population growth nor for the wholly unmeasurable influence of the improvements in machinery design developed so rapidly during the depression years. Hence it would not appear fantastic to accept the estimate of the Machinery and Allied Products Institute that the present potential demand for machinery is around $19,000,000,000. That may seem an astronomical total, but in fact it is but little more than the actual total machinery production of the three years 1925-1927.

Moreover, such estimates relate only to machinery, not to the industrial construction that inevitably accompanies a broad expansion of capital facilities. They are also apart from public utility and railroad construction needs. While they include locomotives, they do not cover freight cars and a great variety of other heavy industry products normally required by the railroads.

G. A. Douglas from Gendreau, N. Y.

What is the potential market for industrial construction? We do not know, but clearly it can only be figured in terms of billions of dollars when we compare 1922-1927 figures with those of the years since 1929. Some light on the prospect is given by the present capital expenditure plans of the steel industry in which the consensus is that spending for modernization and new installations over the next few years will greatly exceed that in any previous period of the industry's history. During recent years capital expenditures in steel have been concentrated largely on finishing mill equipment, especially continuous strip and sheet mills. This phase now appears to be in its final stages and from here on attention will center on improvements in the entire producing set-up from blast furnace to finishing mill.

Changes in Consumer Requirements

There have been many changes in consumer requirements since 1929, notably in steels of higher quality and in demand for fast delivery service. This, together with higher taxes and higher labor rates, has rendered much of present equipment obsolete and costly in operation. Many blast furnaces idle since 1929 will never be operated again. The same is true of many open-hearth furnaces. Even some of the more modern mill installations will require rearrangement for better balance between steel making and finishing departments.

Typical of the situation in steel, it was recently noted that operations in the Pittsburgh district, recently at 70 per cent of theoretical capacity, probably can not physically exceed 85 per cent of capacity, due to the obsolescence of the remaining 15 per cent of equipment; and that even an 85 per cent rate would push a substantial percentage of open-hearth furnaces close to the breaking point.

In the field the public utility generating equipment, the primary fact is that consumption of electricity is now at a new all time high and is certain to rise further; while on the other hand capital expenditures by the utilities have been extremely low for several years. This potential market has been estimated by experts within the industry as around $5,000,000,000, though no such investment is likely except over a period of years.

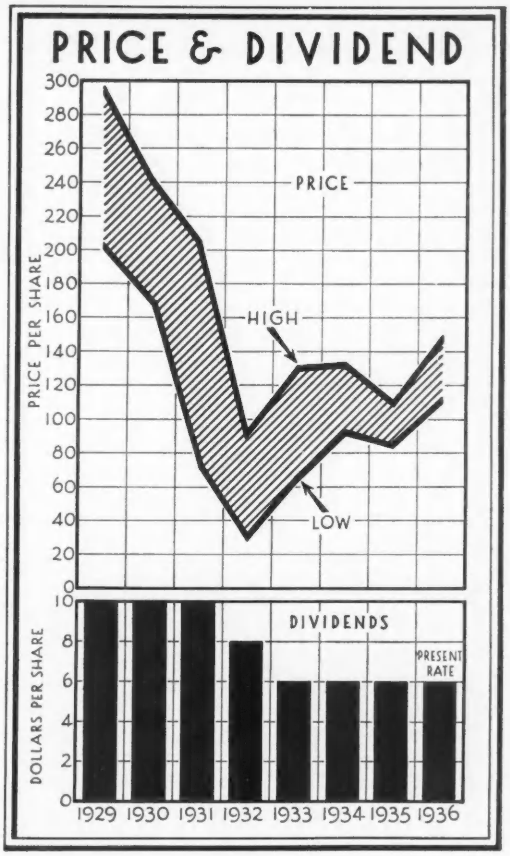
The railroads likewise represent a key user of heavy goods and another instance of years of deferred capital expenditures which will assuredly be made up in coming years as traffic climbs back toward normal volume.

In the field of consumers' capital goods the potential and probable expansion in residential construction before the present building cycle terminates is certainly comparable to the potential markets in industrial machinery and construction and in the utility and railroad markets. Taking the period 1921-1926 as a guide, allowing for population growth since the peak of the last residential building boom and for the extreme low level of such building in recent years, add to these factors the enormous credit reformation represented by the long term amortized mortgage—and you will probably be not far wrong in opining that the present strong recovery in residential building is nibbling away at a potential market of at least $15,000,000,000.

We know this brief summary is exceedingly bullish on our long sick heavy industries, such as steel, machine tools, machinery and electrical equipment and the manufacturers contributing to building construction. But, in the light of the present factual evidence, it could not be less so.

Union Pacific . . . Railroad and Investment Trust

By William C. Wallace



THE eye of the layman finds little to choose between one railroad and another. His pocket-book, however, says that there is a vast difference between a road which earned and paid $7 a share on its common stock in a year like 1932 and the average run-of-the-mill. And this is a difference that counts. Union Pacific was enabled to pay $7 a share on its common at a time when most roads were failing to earn charges, when a number were seeking the protection of the courts and more would have followed the same course had not the Federal Government come to the rescue, primarily because possession of a share of Union Pacific means not only an interest in a grand railroad, conservatively capitalized, but an interest in an investment trust.

This is a dual personality that goes back to the turn of the century when Union Pacific had been selected as the jumping-off place for the late E. H. Harriman's railroad empire. At one time Union Pacific had control of Southern Pacific, control of Chicago & Alton, and designs upon the Burlington and the Northern Pacific. The designs never bore fruit owing to the opposition of James J. Hill and the House of Morgan, but they were only abandoned after the fight for control had forced the stock of the Northern Pacific to $700 a share on the New York Stock Exchange, with sales on the outside reported as high as $1,000 a share. This was the famous Northern Pacific corner of 1901. While the Hill-Morgan obstruction was a blow to Harriman's dreams, worse followed in 1912 when the Supreme Court decided under the Anti-Trust Laws that Union Pacific would have to dispose of its holdings in Southern Pacific. Although frustrated in its dreams of railroad dominance, Union Pacific never lost its acquisitive instinct for the securities of other roads. Many of these securities are in roads far removed from Union Pacific's own territory, but they are bought, sold and switched—in the old tradition, but without the potency nor implications of the glorious past. Let us, however, return to the investment trust aspects of Union Pacific after first having examined it as a railroad.

Imagine a "Y" laid sideways: the tail rests on Omaha and Kansas City, the uppermost prong on Seattle and Portland and the lower prong on Los Angeles. This, roughly, is a picture of the 10,000-mile Union Pacific System. Leave on the "Overland Route" from Chicago and one would take the Chicago & North Western to Omaha, then for 1,000 miles over Union Pacific's double-tracked main line to Ogden, Utah, where connection would be made with the Southern Pacific to San Francisco.

Over the road bed of the Union Pacific go the oranges and grapes of California, the fruits, cereals and lumber of the northwest, the minerals and metals of the Rockies, the sugar beets and potatoes of Idaho and the wheat of Kansas. Back to the sources of raw products go manufactured goods, cement and structural materials of all kinds. Union Pacific's average haul is the longest of any railroad in the country and its traffic the densest of any western road.

Last year agricultural products, including animals, accounted for 35 per cent of the total tonnage carried. Wheat and sugar beets were the most important single items. The significance of agricultural products serves to explain why September, October and November are the road's busiest and most profitable months. Accounting for 29 per cent of the total, products of mines were the next most important source of freight. Here, bituminous coal, of which

Wyoming and Utah produce substantial quantities, was the largest sub-division. Logs, ties and other forest products made up 10 per cent of last year's freight, while the manufactures and miscellaneous group accounted for 25 per cent.

The case with all railroads, Union Pacific's fortunes ebb and flow with the prosperity of the territory served. In this particular case the territory served is largely agricultural, from which it follows that crops and their prices are a prime consideration. Union Pacific will feel the effects of the drought on the corn crop in Nebraska and Kansas. On the other hand, more wheat will be carried this year than last and many of the beet sugar districts are reporting bumper crops of high quality. Looking at the situation as a whole, Union Pacific is hardly deserving of a place among the victims of the drought.

Serving a Prosperous Territory

Nor are the effects of higher agricultural prices to be ignored. It is, of course, better for everyone that there should be a normal crop at a reasonable price, rather than a short crop at a high price, but the latter has its compensations. It means that even among farmers whose crops are subnormal there will be a tendency for purchasing power to be sustained, while those farmers whose crops are normal will come into possession of more than normal purchasing power. Thus, will Union Pacific be a beneficiary of a heavier movement of high-paying manufactures and miscellaneous freight.

Before turning to the dollars and cents results of what has been achieved so far this year, mention must be made of Union Pacific's almost sensational increase in passenger traffic. Unquestionably more people are travelling today than travelled a year ago—an effect of the general improvement in business—but the fact that Union Pacific has been enabled to obtain more than would seem to be its normal share of the increase can only be attributed to the road's own efforts.

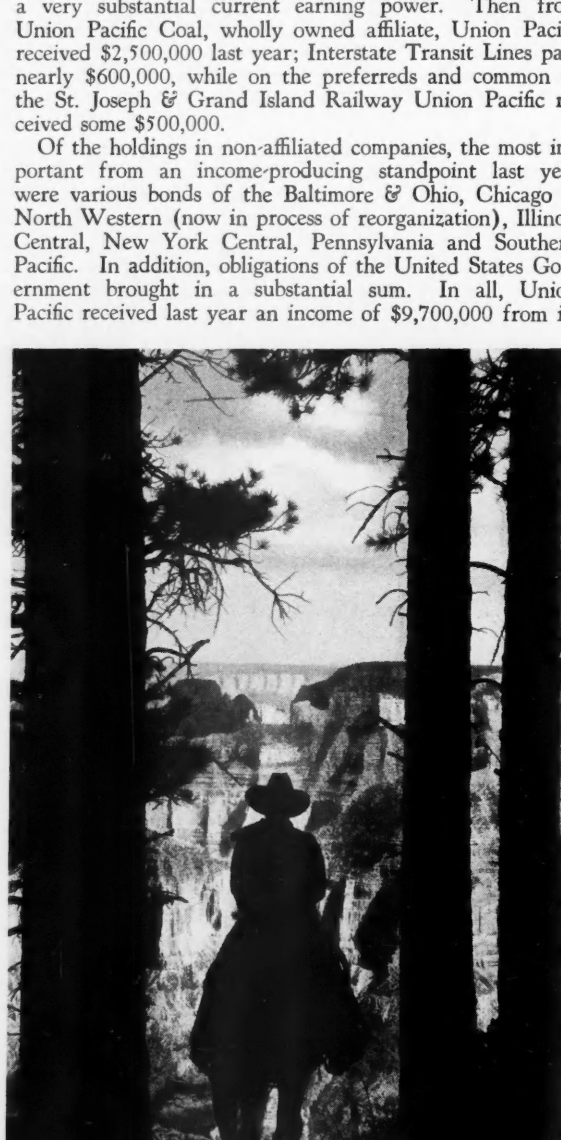
Union Pacific is among the pioneers of the light-weight, high-speed passenger train. Practically all its main line passenger cars are air-conditioned. It operates low-cost coach and tourist sleeping car trains, with separate cars for women and children, a registered nurse in attendance, and meals, the most expensive of which is a 35-cent dinner. Commenting upon the happy experience with reduced passenger fares, Carl R. Gray, Union Pacific's president, with the report before him that passenger revenues in July were 48 per cent ahead of last year, said: "Results of promotion work to stimulate low-fare travel have been better than even the most optimistic of us expected."

Although Union Pacific's gross revenues last year were some $18,000,000 greater than in 1934, net railway operating income was about the same as had been reported for the previous three years. That the company was unable to carry any worthwhile portion of the increase in gross to net was because of increased wages and other expense, the larger amounts spent on maintenance, while, of course, the heavier traffic itself was responsible for some increase in costs.

For the first eight months of this year the Union Pacific System had gross revenues of nearly $94,000,000, compared with $80,500,000 for the first eight months of last year. Again, however, heavy maintenance expense for improving right-of-way, rebuilding freight cars, etc., tended to have a dampening effect upon net. This, for the first eight months amounted to $9,600,000, compared with $7,400,000 in the corresponding previous period. For a road with a funded debt close to $350,000,000 which costs nearly $15,000,000 a year to carry, these figures do not appear particularly exciting.

If they somehow fail to impress, there is, of course, a very good reason—they are only a small part of the story. Income from investments is not included. Let us take a look at these investments of Union Pacific. They fall into two classes, affiliated interests and other interests. Of the affiliated interests, the most important holdings are in Pacific Fruit Express. Union Pacific owns half the outstanding stock of this company (Southern Pacific owning the other half) and nearly $9,000,000 of its equipment trust certificates. Last year, Union Pacific received nearly $6,000,000 in dividends on its Pacific Fruit Express stock and even though $900,000 of this represented a payment out of surplus built up from past profits, there is evidently a very substantial current earning power. Then from Union Pacific Coal, wholly owned affiliate, Union Pacific received $2,500,000 last year; Interstate Transit Lines paid nearly $600,000, while on the preferreds and common of the St. Joseph & Grand Island Railway Union Pacific received some $500,000.

Of the holdings in non-affiliated companies, the most important from an income-producing standpoint last year were various bonds of the Baltimore & Ohio, Chicago & North Western (now in process of reorganization), Illinois Central, New York Central, Pennsylvania and Southern Pacific. In addition, obligations of the United States Government brought in a substantial sum. In all, Union Pacific received last year an income of $9,700,000 from its



Courtesy of Union Pacific R. R.

Union Pacific's territory includes some of the most productive from the standpoint of freight traffic as well as some of the most scenic in the United States

investment in stocks, by far the greater part of which was in affiliated companies, while from bonds it received some $4,600,000, most of which came from non-affiliated sources. Including rents, the grand total of income from investments amounted to $15,000,000.

Outside income this year will be approximately the same as last. It may possibly be a little less owing to Pacific Fruit's not continuing to pay a dividend partly from surplus. We know also that there will be a reduction in the receipts from the holdings in Chicago & North Western. On the other hand, these, and other deductions, will certainly be partially offset by increases elsewhere and may be wholly offset. On the whole, therefore, it is a reasonable supposition that income from investments will be the same this year as in 1935. As this was almost exactly the amount of Union Pacific's fixed charges last year, let us make the assumption that income from investments and fixed charges cancel each other out.

The situation begins to look better, for this leaves the first eight months' net railway operating income of $9,600,000 applicable solely to the preferred and common stock of Union Pacific. There are just short of 1,000,000 shares of 4 per cent preferred outstanding, so that preferred dividends applicable to eight months would be about $2,600,000. This would leave $7,000,000 for the common, or just over $2 a share on each of the 2,222,925 shares of common outstanding.

Owing to the seasonal nature of Union Pacific's business, the fact that only $2 of a $6 dividend has been earned in the first eight months of the year need not cause alarm. Last year, eight months' net operating income of $7,400,000 became $18,600,000 by the year end. Applying the same percentage gain to the results registered so far this year and net operating income for 1936 would be about $23,000,000, or roughly $8.50 a share on the outstanding common stock after deduction of the dividend on the preferred.

This about exhausts Union Pacific's immediate possibilities. It leaves one with the impression that for about $140 one can buy a share of stock in a large and rich railroad and that a $6 dividend is well covered by prospective earnings of $8.50 a share. This is all true as far as it goes, but the picture is still incomplete. In the discussion of Union Pacific's investments, for example, mention was made only of those from which an income was being obtained. What of those from which no income is currently being obtained?

Large Non-income Producing Investments

The most important of Union Pacific's non-income producing investments are in the common and preferred stocks of the Baltimore & Ohio, the common of Chicago & North Western, the preferred of the Chicago, Milwaukee, St. Paul & Pacific, the common and preferred of Illinois Central, the preferred of the Wabash, and the common of New York Central. At today's prices, the investment in Baltimore & Ohio is worth nearly $2,000,000, that in Illinois Central about $12,000,000 and the holdings of New York Central not far from $10,000,000. In all, Union Pacific's non-income-producing commons and preferreds are quoted in the open market at about $24,000,000, or about $11 a share for each share of Union Pacific outstanding. Further business improvement throughout the country as a whole will naturally result in still further increase in traffic and this in turn must necessarily be reflected in a higher market price for railroad securities. Union Pacific will not only gain from any increase in traffic that it might experience itself, but will benefit through its widespread holdings. Bonds now of second grade will become entitled to a higher rating; securities on which no income is currently being received will commence to make distributions. Just as a reference, it might be noted that Union Pacific's "other income" in 1929 amounted to $21,600,000, about $6,600,000 more than today's receipts, or roughly $3 a share on the outstanding common.

Among Union Pacific's Principal Investments

Affiliated Companies

	Amount Owned	Income Received 1935
Denver Union Terminal Ry bonds	$4,000,000	$180,000
Interstate Transit Lines com	186,965 shares	587,070
Pacific Fruit Express com	120,000 shares	5,978,442
Pacific Fruit Equip. Trusts	$8,884,000	507,244
St. Joseph & Grand Is. Ry. 1st pref.	54,510 shares	272,545
St. Joseph & Grand Is. Ry. 2nd pref.	34,865 shares	139,456
St. Joseph & Grand Is. Ry. com.	45,875 shares	91,750
Union Pacific Coal com	50,000 shares	2,500,000

Non-affiliated Companies

Baltimore & Ohio com	35,941 shares	....
Baltimore & Ohio pref	24,191 shares	....
Baltimore & Ohio various bonds	$7,625,000	372,630
Chicago & Northwestern com	24,206 shares	....
Chi. & Northwestern various bonds	$6,957,000	172,617
Chic., Mil., St. Paul & Pac. pref	18,450 shares	....
Chic., Mil., St. Paul & Pac. var. bonds	$5,417,800	4,443
Illinois Central com	268,700 shares	....
Illinois Central pref	98,270 shares	....
Illinois Central various bonds	$6,884,375	363,065
New York Central com	200,000 shares	....
New York Central various bonds	$5,400,000	279,000
Pennsylvania com	115,200 shares	57,600
Pennsylvania various bonds	$20,092,000	956,796
Southern Pacific various bonds	$15,475,000	646,032
United States Government bonds	$23,689,900	725,280

Some recovery in the amount of "other income" is part of the favorable prospect to which Union Pacific's stockholders can look forward. There is also the prospect of common earnings being lifted by refunding operations. Only the other day the road sold $20,000,000 in debenture $3\frac{1}{2}$s, the proceeds to be used in the retirement of $20,000,000 bearing a 4 per cent coupon. In April a $3\frac{1}{2}$ per cent issue amounting to $27,000,000 was used to retire a similar amount of $4\frac{1}{2}$s. The two refundings, after allowing for premiums on the retired bonds and discounts on the new, mean a saving in the neighborhood of $300,000 annually to the road.

Nor is this necessarily the limit to Union Pacific's savings along these lines. It has other callable bonds outstanding and, although the callable premium in some cases is heavy, a continuance of the present extreme ease in money rates would enable further refundings to be made successfully. A point very much in the road's favor is that its credit standing is of the highest and investors never overlook such a fact as in this case that fixed charges were never earned less than twice in any depression year.

With many companies, especially among the industrials, there is nothing to be gained by attempting to look too far ahead. Prices and competitive conditions change, contracts are lost or renewed, new products are brought out, all of which are apt to confound the long range forecaster. In the

(Please turn to page 800)

Significant Foreign Events

By George W. Berkalew

Foreign Representative of The Magazine of Wall Street

France—Devaluation at Last

Well, the untenable position of the "gold bloc" has been recognized at last by the principals concerned. The fight to maintain the old standard was a valiant one but the odds were overwhelming. The devaluation of the French franc, the Swiss franc and the Dutch guilder is an economic development of the greatest significance. Its long-term implications are highly favorable, not only to the countries most directly concerned but to the rest of the world. These implications will be found more fully discussed both editorially and in the stock market article of this issue.

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Great Britain in the Near East

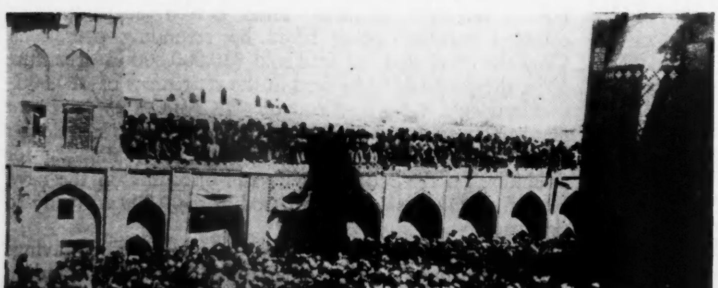
At the moment when France terminated her Syrian mandate by concluding a treaty of alliance, according Syrian independence, Great Britain by no means seemed inclined to follow suit. On the contrary, she has asserted her mandatory power over Palestine and adjacent territory by rushing a strong expeditionary force ostensibly to quell the Arab-Jewish uprising. But England has more irons in the fire than the suppression of localized, sporadic acts of revolt.

In fact all European nations dealing with the Near East are forced to face today a new situation—the growth of the Pan-Arabic movement with its concept of "self-determination" for all tribes and peoples belonging to the Arabic race. The alleged sympathies of these states for European countries are at best problematic. Neither the British nor the French, nor the Italians can boast of having conquerred the Arab heart. The French are disliked for their lack of understanding, the Italians for their noisy aggressiveness, the British because they are feared. Of the three, the British have perhaps the greatest chance of a diplomatic success. The old maxim of "honesty is the best policy" has stood Britain in good stead in the East. Her prestige has been enhanced by an uncommon discernment that political duress or armed force is not sufficient to impress the Arabian World. Wisely England has again concentrated on economic relations, offering financial assistance and trade promotion—a policy which has been the corner stone of the colonial Empire.

Today the pivotal issue of economic import in the Near East is oil. A few years ago British oil interests appeared firmly entrenched with the profitable fields in Iran and the Iraq Oil Company in Mesopotamia. Only recently the Persian Government startled British complaisancy by balking at complete control over the Nation's resources, granted the Standard Oil Co. valuable concessions in the Province of Hasa. This penetration of foreign capital was more dangerous for England than any political tiff with the Persian Government. American money skillfully employed might easily arouse anti-British sentiment throughout the entire oil area. Recognizing the futility of opposing the new independent movement in the Near East, British interests decided that a friendly Arabian Federation might indeed be useful, if, of course, its scope and influence could be subjected to close supervision and control.

Another motive behind British conciliation is the fact that since Italy obtained a firm footing in East Africa, and intruded in the Red Sea, Palestine and Persia are now regarded as essential links in Imperial communications. Hence England continues her commercial expansion as political insurance—acquires Italian, French and German participation in the Mosul Oil Co., new concessions in Arabia (Yemen) and the Bakrein Islands, from Ibn Saud—prior rights to mineral oil exploitations in Hedshas and Nedsh.

Economical collaboration with the Arabian world is but one of the serious problems facing England in the Near East. In order to build up colonial fences, steps have been taken to establish closer contact with Turkey. Since the conclusion of the Mosul Treaty in 1926, Anglo-Turkish relations have been formal, if not strained, and only since the beginning of the Italo-Abyssinian War was any attempt made



Acme

Arabs demonstrate for "self-determination"

at a rapprochement. Last December, however, Great Britain adroitly concluded the Eastern-Mediterranean Pact of Mutual Assistance, also backed up Turkish demands in the Montreux Straits Conference in July. With the same political foresight applied in Arabia, British economic interests in Turkey have been pushed quietly but persistently, ousting Levantine, Franco-Greek and Italian enterprises. Long term credits from the African Trading Co. in London were extended to its Stamboul branch for the development of the textile and lumber industries—investment in mining and electrical concerns. Vickers negotiates Government contracts for harbor and railway construction in the Black Sea coal regions. The abrupt liquidation of the prolonged Egyptian dispute, as a countermove against Italy, is consistent with a foreign policy, subject to change without notice, but which invariably is directed towards the greater safety of the Empire.

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El Salvador—Small But Solvent

El Salvador has resumed payments on its foreign debt, following a revision signed on April 27, 1936, with regard to the 1922 Loan Contract. Still the smallest country in Central America, it is far from being the most backward. For years El Salvador has been giving its larger neighbors an example in fecundity and industry. Today it is the most densely populated state among the Latin dictatorships—the most intensively cultivated territory south of the Rio Grande. In spite of the mouths to feed, prosperity is returning; primarily because El Salvador has resisted the impulse to place all her eggs in one basket.

The official Administration has succeeded, unlike many of the Central and South American countries, to build up multiple sources of national revenue. Being a rich little territory near a potential world artery—the Nicaraguan Canal—El Salvador has received perhaps more offers of financial assistance than are good for a growing republic. Most of the wildcat schemes fostered on the country by unscrupulous promoters, have been quashed by Government intervention. Other development plans of a more practical nature have been successfully completed.

For example the present outstanding debt, of which six million dollars is held in the United States, was contracted for necessary road building. Although measuring roughly 130 by 300 miles, El Salvador has not escaped the problem of transportation. Its foreign loans have made possible well-graded and adequately maintained routes from the productive agricultural centers and from the capital down to the two ports. There is an old railway which has been serving the San Salvador district since the 1880's and another line built by International Railways after the War, later linked up with Guatemala section in the last year of the boom, 1929.

What El Salvador now needs, to make this network a real adjunct in her world trade, are better port facilities, better means of production, and the Nicaragua Canal.

El Salvador's best port, under present circumstances, is La Union, which lies on the Gulf of Fonseca just across the water from the outlet of the proposed Nicaraguan route. There has been feverish speculation on the second canal for years, for El Salvador is the only Central American state with no Atlantic seaboard. Bringing New York and the Gulf ports closer to La Union would make the Salvador coffee taste that much better. It never goes to market green. The large labor reserve permits Salvador planters to pick off the coffee fruits one by one, instead of in a wholesale harvest, and the mildness of the ripened berry maintains a fairly steady market which has helped Salvador meet the crisis. The 1935-1936 coffee crop has been sold in its entirety: 690,000 bags.

A project is still dangling, temporarily abandoned in 1929, to electrify El Salvador by harnessing Lake Ilopango. This ten million dollar scheme would realize the national dream of starting an industrial republic and would include harbor works at Puerto Libertad, where loads are now held up by lightering.

Resumption of work on this project is delayed until El Salvador demonstrates her ability to maintain the new prosperity. With a world monopoly on Balsam, gold mines revigorated by the crisis demand for bullion, with a budgetary surplus and regular debt service continued, the country should offer sound opportunities for commercial and industrial expansion.

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The Agrarian Balkan States Take to the Sea

With European ship-yards slowly getting under way, and carefully threading a channel out of the doldrums, it is important to note where some of the new tonnage is going. Beside such monsters as the running mate to the Queen Mary, other keels are being laid down, modest at present, yet capable of carrying their full complement of dynamite in the competitive field. Shipping men of Hamburg and Rotterdam and Antwerp regard the biggest ships as losing propositions on the hard bitten trade routes. They pin their faith on small liners and cargo-vessels, averaging from eight thousand to ten thousand tons. These ships can hope to fill their hatches. But when a line of them is acquired by some nation newly initiated to the sea, the resulting loss to already existing lines causes unpleasant readjustments, and unpleasant readjustments are a danger for Governments and Shipping Companies alike.

Such is the case of the essentially agricultural countries of Bulgaria and Yugoslavia. Far from subsiding into rural tranquility, both states have been at each other's throats for years. Together or separately they have taken various excursions against outsiders.

(Please turn to page 806)

Acme

El Salvador produces coffee of high grade—pickers in action

Look to the Oils With Confidence . . .

The Peak of Consumption Is Yet to Be Seen—Earnings Trend Is Gratifying

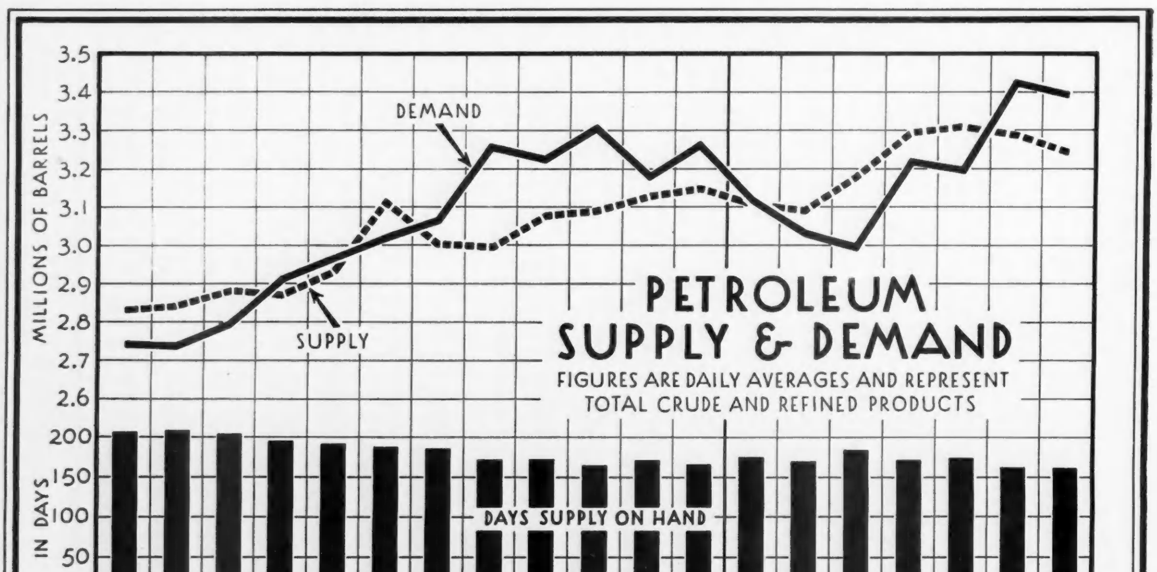
By N. O. Fanning

PUBLIC opinion seems to be placing too much emphasis on recently-increased crude oil production, and too little on the effect of increasing consumption on the inventory situation. In terms of days' supply, the oil industry's inventory of crude and refined petroleum has shrunk from 196 days' supply at the close of July, 1935, to 171 days' supply at the end of July of the current year, and, to judge from partial reports, is even lower today.

Domestic crude oil production, figures on which are watched so closely by oil company stockholders, represent only one of several important factors in the situation. The output statistics are published weekly in all the country's leading newspapers. Consumption statistics are not so readily available and their importance is sometimes lost sight of. The fact is that if production had not increased substantially in recent months, the industry would now be facing a serious shortage. The industry does not desire such a situation.

Contrary to general opinion, the industry has not yet passed the peak of heaviest consumption. It is true that September generally marks the peak of gasoline demand, but as for the aggregate consumption of all products, the peak consumption for 1935 was in October, with December the second heaviest month. This late peak is brought about by the growing consumption of furnace oil for domestic oil-burning, Diesel oil for power, and the various grades of fuel oil, the demand for which is heaviest in the fall and winter months.

As an example of the heavy year-end demand for oil, we find that during 1935 withdrawals of oil from storage were heaviest in the last five months and actually amounted to 24,312,000 barrels. In the first seven months, stocks by



contrast increased 1,662,000 barrels. Domestic crude oil production at the same time was substantially higher in the last six months of 1935 than in the first six months.

A similar trend is apparent this year. Up to June the industry added to storage, but drew substantially on inventories during both June and July, despite the increased crude oil production.

Stocks of all oils in the United States have been following a downward trend almost steadily since 1929, during which period inventories have fallen from 700,000,000 barrels to a present level of 545,000,000 barrels.

The net conclusion seems to be that the industry cannot continue to draw on stocks indefinitely, but must, in the not distant future, raise the allowable production in present producing fields, increase the imports of oil, or both, in order to keep pace with the growing demand for petroleum products.

Important Field Developments

A number of potential new oil producing areas have been uncovered in the United States during the past few years, but only one of these, the Rodessa field, assumed the proportions of a threat to the stability of the oil industry. This threat now appears to have passed, with both the Louisiana and Texas portions of the field operating under strict pro-ration.

So far approximately 333 producing wells have been completed in the Rodessa field, 279 on the Louisiana side and 54 on the Texas side in Cass County. Currently these wells are yielding an aggregate of about 70,000 barrels of crude oil daily.

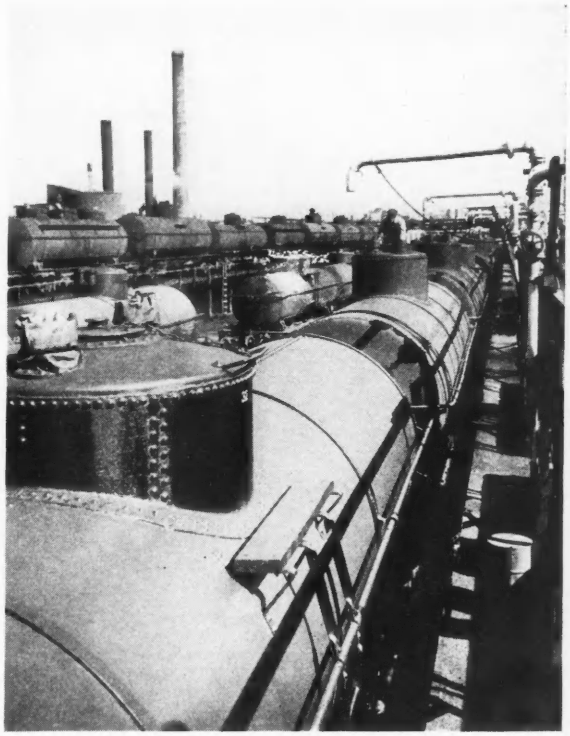
Whereas the earlier producing wells on the Louisiana side of the field showed enormous initial potentials, the average potential of wells now being completed on the Texas side, in the newer extension of the field, runs about 600 barrels per well.

The famous East Texas oil field, currently producing approximately 440,000 barrels of crude oil daily, continues an important factor. So-called "hot-oil" or "illegal" production in the field is believed to have declined to a nominal figure. This is reflected in the fact that the large number of oil refineries which were built adjacent to the field in the boom days of the area, which had at one time an aggregate daily capacity of some 200,000 barrels, are now running only about 25,000 barrels of crude oil per day. Two years ago these plants were the principal source of cheap gasoline.

Aside from Rodessa, some of the outstanding new oil discoveries in the United States during 1935 and 1936, have been as follows:

COTTON VALLEY, LA.—Ohio Oil Co.'s No. 6 Hollaway, in the Cotton Valley district, Webster Parish, La., is believed to have opened a new oil field of a geological type similar to Rodessa. Ohio Oil Co. appears by far the largest holder of oil leases in the area. Other important leaseholders include Louisiana Oil Refining Corp., Standard Oil Co. of Louisiana (S. O. of N. J.), Magnolia Petroleum Co. (Socony-Vacuum), Woodley Petroleum Co. and United Gas.

SILSBEE, TEXAS—Houston Oil Co. and Republic Production Co. (American Republics) appear to have opened a new oil field in the Silsbee area, Hardin County, Texas Gulf Coast, in their No. 1 Southwestern Settlement & Development Co. well. This well caught fire shortly after coming in with a heavy flow of oil and gas. It is understood Houston and Republic each has a 50 per cent interest in the acreage and that they control jointly approximately 40,000 acres in the area.



G. A. Douglas from Gendreau, N. Y.

Total oil stocks are less than 171 days' supply with consumption at record height

BENNETT, TEXAS—A new field appears to have been opened up in the northern part of the West Texas basin with the completion in 1935 of Davidson and others' No. 1 Bennett, in Yoakum County, Texas. Texas Pacific Coal & Oil Co., a larger holder of leases in the district, has recently started its first test about one-half mile from the Davidson well.

STEVENS, CALIF.—In June, 1936, Shell Co. of California (Shell Union Oil) made one of the major discoveries in California of recent years when it completed No. 1 K. C. L. in Kern County, in the center of a block of 4,200 acres of leases reported to be controlled by the Shell company. The near area is known as the Stevens field.

Companies on Buying Side

Although the major oil companies have never been known to become active on the selling side so far as oil producing properties, oil leases or oil concessions are concerned, it appears significant that during the past years they have been unusually active on the buying side. The purchase of large holdings in the Rodessa oil field by Magnolia (Socony-Vacuum), Standard of Louisiana (S. O. of N. J.), Gulf and Tide Water Associated, during the past year, and the acquisition in 1935 by Gulf of extensive concessions in Venezuela, are among the notable examples of the tendency on the part of large units to prepare for the future by adding to their potential oil reserves. There are many other examples, involving Creole Petroleum Corp. in Venezuela, Texas Corp. and Socony-Vacuum in Colombia, and Standard of California in Bahrein and Arabia in the Near East.

It is a common expression that actions speak louder than

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Profit Possibilities in Speculative Bonds

A Variety of Choice Where Some Investment Quality Can Be Sacrificed for Price Enhancement Potentialities

By J. S. Williams

CORPORATION bonds have recently attained their best market levels since 1930. Not only have new high quotations been registered by prime corporate issues, but substantial advances have likewise been scored by medium-grade and speculative bonds. This condition in the case of the former group reflects continued investment demand, and with the increasing confidence inspired by evidence of greatly improved earnings this demand is spilling over into the lower rated brackets. Speculative demand has also been active, particularly so in the case of second grade and defaulted railroad bonds.

Railway income this year has undergone notable improvement, with I. C. C. estimates indicating that net income of Class I carriers for the first eight months of this year will be around $10,000,000 after fixed charges as against a net loss of nearly $80,000,000 in the same months a year ago. In the circumstances the number of roads fully earning their fixed charges this year will be larger, resulting in a corresponding strengthening in the position of their outstanding bonds. Moreover, the prospects of formulating acceptable reorganization plans for those carriers now in receivership have been enhanced by the current gains in traffic and revenues.

Cautious Discrimination Necessary

Rising earnings in other industrial groups have so encouraged public demand for medium-grade bonds, that many issues have risen in value to a point where the price differential between bonds of this classification and high-grade bonds is barely perceptible and the resulting yield is hardly sufficient compensation for the lower rating.

From an investment standpoint, the danger in this situation lies in the possibility that the individual may be lured by price comparisons into purchasing a lower grade issue than his requirements permit, while from a speculative standpoint there is the risk that the initial optimism, engendered by rising earnings generally, may be misdirected into situations of questionable promise. The implications are not that the market possibilities in medium grade and speculative bonds have been exhausted, or that a serious decline is imminent. The investor, however, is cautioned both against overloading his portfolio with second-grade issues and the indiscriminate purchase of such issues, whether a better-than-average yield is sought or the objective is the purely speculative one of price appreciation.

Of the various bond issues comprising the appended list, there are several which yield an exceptionally liberal return, while all of them would appear to possess merit from the standpoint of possible price appreciation in the months ahead. In varying degrees all of them are speculative, hence the high yield on those issues which are paying their interest regularly. In the case of defaulted issues, current appraisal must be qualified to the extent of admitting the element of uncertainty contingent upon their future status in the ultimate reorganization of the property. Of the bonds in this category, those included in the list, however, would appear to be so situated in the corporate structure of the obligor company that their treatment in reorganization would at least justify present levels, with higher quotations a reasonable possibility. Several of the listed issues have been selected for more detailed discussion.

Central New England 4's 1961

The Central New England Ry. 4's 1961 are an underlying obligation of the New York, New Haven & Hartford R.R., which in 1935 was placed in bankruptcy by its inability to fully meet fixed charges and the refusal of the R.F.C. to make further advances. The substantial loss of traffic by the New Haven to motor trucks coupled with the fact that the New England territory which it serves has lagged behind in the general recovery movement are factors chiefly responsible for the road's financial difficulties. Any subsequent reorganization of the road must of necessity be sufficiently realistic to face the fact that a sizable portion of its former passenger and freight traffic has been more or less permanently lost to buses and trucks. The bonds in question, however, would seem assured of preferred treatment in reorganization. Although outstanding at the relatively high rate of $97,000 per mile, the mileage upon which the bonds are a first mortgage is highly important and includes the Poughkeepsie Bridge. Bituminous and anthracite coal accounted for more than 28 per cent of the

total freight traffic moved by the New Haven in 1935, the bulk of which was moved over the tracks of the Central New England. The value of the mileage on which the bonds have a lien is therefore obvious. Reorganization of the New Haven is apparently not imminent but for the patient investor the bonds in question hold out the promise of important price appreciation.

Colorado Fuel & Iron, Inc., 5's 1970

The newly reorganized Colorado Fuel & Iron Co., begins its career under particularly auspicious conditions in the steel industry. The company is the third largest producer of rails in the country, and also manufactures wire products, bars and structural steel. A substantial upturn in the demand for rails has enabled the company to operate its rail mill at 75 per cent of capacity, according to recent reports, while wire business has been the best since 1931 and rolled steel output is above the peak for the past ten years. The company was released from receivership on July 1, last. Under the approved plan of reorganization, the former Colorado Industrial Co., was consolidated with Colorado Fuel & Iron, and holders of $27,600,000 Colorado Industrial 5's were given $400 par value Colorado Fuel & Iron Income 5's 1970 and 20 shares of common stock for each $1,000 bond. Colorado Fuel & Iron 5's 1943 outstanding in the amount of $4,500,000 were undisturbed in reorganization. Interest on the Income 5's 1970, of which there will be $11,053,200 outstanding, up to March 31, 1938, will be paid only to the extent earned and at the discretion of Directors. Interest so earned during this period, however, will be cumulative. After April 1, 1938, interest becomes fully cumulative at the rate of 5 per cent, and must be paid to the extent earned, unless such payment reduces net current assets below $5,000,000. In the first six months this year the old company reported a net profit of $891,559 after all charges, aggregating $802,900. Fixed charges under the new capital setup during this period would have amounted to only $388,405, including interest on the new income 5's. With the possibility that the company may show around $4 a share this year on the common stock now outstanding, payment of the full interest rate on the income bonds is a likely assumption. At 85, therefore, they offer a generous potential yield plus possibilities for gradual enhancement in value.

General Steel Castings 5½'s 1949

Selling about ten points under their 1936 high, General Steel Castings 1st Mtge., 5½'s 1949 offer an interesting semi-speculative opportunity. The company manufactures steel castings for railroad rolling stock, principally the steel underframes used in the construction of locomotive, freight and passenger cars. Control of General Steel Castings is shared by four of the foremost manufacturers of railroad equipment: American Locomotive, American Steel Foundries, Pullman and Baldwin Locomotive. Reflecting the prolonged dearth of new equipment orders, the company has not shown a profit since 1930, but adequate financial resources have seen the enterprise safely through one of the most trying periods ever experienced by the industry. At the end of 1935, current assets, including cash of more than $4,000,000 amounted to nearly $6,000,000, while current liabilities were only $752,400. Another loss was suffered in the first half of the current year, but results from now on should show substantial improvement. This year there has been a genuine revival in the railway equipment industry, by comparison with recent years, but the actual needs of the carriers have been only barely satisfied. The favorable implications of rising railroad traffic and improved earnings, from the standpoint of the equipment industry, are important considerations, suggesting strongly that the trend of equipment orders should continue to rise. The

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Speculative Bonds for Price Appreciation

Issue	Amt. Outstanding ($1,000,000)	Charges Times Earned 1935	Charges Times Earned 1936	Price Range 1936 High	Price Range 1936 Low	Recent Price	Current Yield	COMMENTS
American & Foreign Power Deb. 5s, 2030	50.0	1.2(b)	1.3(b)	83½	66½	75	6.6	Controlled by Electric Bond & Share but not subject to Public Utility Act. Finances comfortable and gradual improvement in earnings gives wider margin of coverage. Issue combines a liberal yield and profit possibilities.
Central New England 1st 4s, 1961	12.0	0.8(a)	0.5(a)	77½	43½	58	★	Assumed by New Haven, now in receivership. Bonds are secured by a first mortgage on valuable mileage and should have preferred treatment in any reorganization plan.
Colorado Fuel & Iron Inc. Mtge. 5s, 1970	11.1	See Text		86¼	81	85	See Text	Bonds issued in recent reorganization. Charges reduced and substantially improved outlook lend merit to new bonds for income and profit.
General Steel Castings 1st 5½s, 1949	17.0	d1.3(a)	d1.5(a)	98	75	90	6.1	Company's strong financial position and more favorable prospects strengthen position of bonds. Yield and profit possibilities both attractive.
International Tel. & Tel. Deb. 5s, 1955	50.0	1.4(a)	1.7(a)	95	71½	80	6.2	Issue depressed by Spanish political situation, but interest charges not endangered. Bonds offer an interesting speculative opportunity.
Lehigh Valley Coal 1st & Ref. 5s, 1974	3.0	1.4(b)	1.6(b)	71	53¼	70	7.1	Current earnings up and prospects favored by approach of seasonal demand. Finances fair and bonds particularly attractive for income.
New Orleans, Texas & Mexico 1st 5½s, 1954	15.8	0.3(a)	0.5(a)	50½	32¾	50	★	Current income available for bond interest substantially higher. Road likely to benefit by recent favorable rate decision and greater movement of citrus fruit. Bonds are an interesting speculation.
Postal Tel. & Cable Coll. 5s, 1953	44.6	0.5	NF	41⅝	27½	39	★	Issue quite speculative but should fare better in any reorganization plan than indicated by present levels. Current revenues higher.
Radio-Keith-Orpheum Deb. 6s, 1941	11.6	NF	NF	88	63	88	★	Improved prospects and larger earnings may hasten plan of reorganization. New interests in company should prove helpful. Bonds offer speculative inducements.
St. Louis Southwestern 1st Term. & Unif. 5s, 1952	8.1	0.8(a)	0.8	63½	39¼	61	★	Final results this year should compare very favorably with 1935. Charges may be earned in full and reorganization hastened. Fairly important mortgage position lends speculative merit.

(a) 6 mos. to June 30. (b) 12 mos. to June 30. d—Deficit. NF—Not available. ★—In Default.

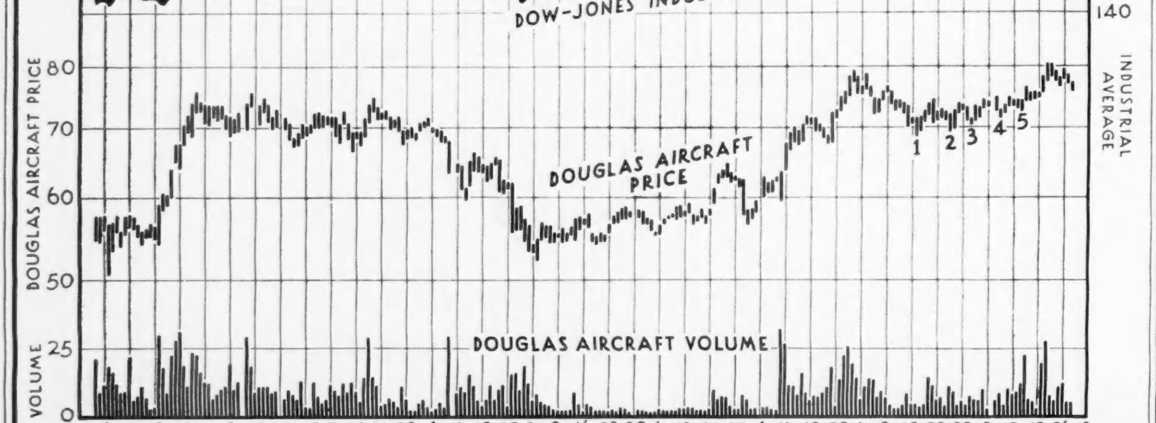
Understanding Today's Market Fluctuations

The Use of Charts in Interpreting and Forecasting the Price Movement of Market Leaders

By Frederick K. Dodge

INTEREST in charting the price and volume movements of stocks has grown tremendously over the past few years. Graphs are in constant use everywhere; but, unfortunately, many employ them with the idea that they are infallible forecasters of future action in particular stocks, and in the market as a whole. The mechanical trader has seized upon the chart as a single tool for indicating double bottoms, double tops, head-and-shoulder formations, triangular formations, trends and whatnot, which he thinks tell him when and how to make certain automatic trades that are sure to be profitable. Sooner or later, of course, those who place all their faith in what a chart "says" eventually find that their capital has dwindled to the disappearing point, and are no longer able to carry on operations. They realize, too late, that there is no mechanical system that easily enables one to "beat the market."

The main trouble in connection with charts is the absence of logic in their use—failure to apply correct and accurate thinking. This is but natural with all of us humans. Our minds turn to almost any expedient to avoid the real labor of thinking. The chart looks so easy. Here we see exactly what a stock did in the past under a given set of conditions. And now that the same factors again appear to be applicable, why should not the market performance be repeated in precisely the same manner? Or, we see that a certain issue is in process of forming a triangle after a long decline in price. This means to the purely mechanical trader that a strong technical base is being built up, and that he should automatically go long of the stock. But these so-called indications of forthcoming market action do not always work out. Human nature is not constant. Similar influences now may not have



Keeping Up With the Active Stocks

	Shares Outstanding	Dividend	Recent Price	Approx. Yield	Annual Earnings 1934	Annual Earnings 1935	Interim Earnings 1935	Interim Earnings 1936	Price Range 1935 High	Price Range 1935 Low	Price Range 1936 High	Price Range 1936 Low
General Motors	42,831,000	2.75*	71	3.9	1.99	3.69	1.85je6	3.17je6	59⅜	26⅝	72⅜	53⅞
Chrysler Corp	4,314,391	6.50(1)	126⅞	5.1	2.19	8.07	4.31je6	6.83je6	93⅞	31	126⅞	85½
Paramount Pictures	1,610,452	....	13	....	....	0.79	0.83je6	d0.43je6	12	8	13⅝	7⅛
N. Y. Central	4,992,597	....	48	....	d1.54	0.02	d0.83je6	0.07je6	29¾	12¼	48	27¾
U. S. Steel	8,703,252	....	75	....	d5.39	d2.77	d1.79je6	0.42je6	50⅝	27½	75	46⅜
Atlantic Coast Line R. R.	813,427	....	43	....	d0.61	d3.08	d0.55je6	0.36je6	37¼	19½	44⅜	21⅝
Packard Motor	15,000,000	0.25(1)	12½	....	d0.49	0.22	0.02je6	0.23je6	7½	3½	13⅛	6⅞
Douglas Aircraft	467,403	0.75(1)	81	....	0.08nv12	2.70nv12	2.00my6	0.42my6	58⅜	17½	81	50⅝
Radio Corp	13,897,209	....	11½	....	d0.10	d0.04	0.05je6	0.01je6	13⅜	4	14¼	9¾
Republic Steel	4,046,767	....	25	....	d3.43	0.49	0.47je6	0.44je6	20¾	9	26¾	16⅞
Budd Mfg	1,422,630	....	12⅝	....	d1.82	0.33	0.07je6	1.05je6	9¾	3¼	15⅞	9⅛
International Nickel	14,584,025	1.40	62½	2.2	1.14	1.66	0.64je6	1.13je6	47¼	22¼	62¾	43¼

d—Deficit. *Plus extra. (1) Paid this year. je6—6 months ended June 30. nv12—12 months ended Nov. 30. my6—6 months ended May 31.

the same effect upon the mass mind that they had in the past. As a matter of fact, there is only one thing absolutely sure in life, and that is that conditions will change, and with them will come new human opinions to be reflected in the movements of stock prices.

Stock charts are, nevertheless, an extremely important aid to speculation. If used properly by an experienced and intelligent trader they are of very real value as *one* of the guides indicating the state of market sentiment. After an observer has had many years of experience with charts, has studied the price and volume movements of many stocks over a long period, with many changes in the number and kind of factors that impinged upon their markets, he is bound to have a distinct advantage over one without such a background. He should have acquired a "feel" of the market which can be gotten in no other way. He should be able to gauge intelligently the condition of supply and demand. His experience in living with the market movements in numerous securities always carried in his mind through visualization of his charts, should give him a keen insight in judging the "market mind," and enable him to better determine whether the balance of opinion is on the buying or the selling side, in particular issues as well as in the market as a whole. His running graphic record of current market movements keeps him posted at all times as to which issues are becoming more active and the extent of price movement being generated. He then turns to a study of all factors that are calculated to affect their markets in any way whatsoever. Such a speculator is using charts as an *aid to speculation* only. He realizes that speculation is an art, he is paying concentrated attention to the interpretation of human nature as it is affected by economic and other factors and as reflected in the price movements on his numerous charts of stocks representing leading companies in the important industries.

The Market Leaders

With this brief comment on the proper use of charts let us turn to an examination of the market action of some of the active stocks. Chrysler Corp., for example, is an issue that has recently stepped to the front as one of the most popular in the whole list. Here, the use of a chart as an aid in timing commitments was of great advantage. Progressive changes in the state of supply and demand in this stock have been clearly indicated. After a steady and substantial rise from its May lows, Chrysler followed with a normal technical correction approximating one-half its gain, ending this decline with a climactic break on high volume to 109 in mid-August. This low point was tested on several occasions over the following four weeks, during which time the turnover gradually dwindled. There were many reasons to believe that a strong technical base was being built up in this interval; and now the stock is moving upward as we swing into the active season of production of new 1937 models. Despite the high price level per share, Chrysler is attractive to numerous traders and longer term speculators because of the demonstrated earning power of the company, its aggressive management, and the generally favorable outlook for further growth of purchasing power in the hands of the public.

What's Back of Paramount Strength?

Paramount Pictures, U. S. Steel, New York Central, and Packard Motor have continued among the most active stocks in the market. These issues merely hesitated or declined slightly during the recent interval of cautious markets, and the changes in the state of supply and demand as "felt" through close observation of their market fluctuations along with a searching study of all the news and other developments applying have certainly aided the process of intelligent speculation in them. Paramount Pictures, though discussed briefly in our last issue, still deserves a word of comment because of its quite spectacular market action. There are several reasons for this brilliant performance, entirely outside the technical indications of abrupt change in the status of supply and demand in the stock marketwise. First, the capitalization of the company is top-heavy, which provides a high leverage factor for the common stock. Adding still further to this leverage factor is the nature of the company's business itself. The organization owns a chain of approximately a thousand theaters and here is where the big improvement in industry volumes has been taking place. Once the pay point has been reached in this field, improvement in gross from either higher box office prices or increasing attendance is largely a gain for net income, because little additional expense is involved in handling greater audiences. If, therefore, the present trend so favorable to this company continues, earnings applicable to the junior stock may mount in spectacular fashion, which helps to explain the tremendous percentage appreciation (over 80%) in the stock over the past several weeks.

One of the most interesting and valuable examples of

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This is the Season for Liquors

Leading Companies to Profit from Rising Consumption

By Stanley Devlin

THE seasonal upturn in the consumption of whisky and other spiritous liquors is close at hand. One is reminded of this event by the approach of cooler weather and the holiday season in the offing. In the stock market the signal has been flashed by a strong undertone in representative liquor issues, which for some weeks previous had been characterized by dullness and indifferent action market-wise. The seasonal factor alone has not been responsible for the more favorable attitude toward this group, but has been coupled with several developments which promise to be reflected favorably in the near-term earnings, at least, of leading distillers.

First, of course, is the fact that nearly three years have elapsed since Repeal. The experience gained by the industry during this time has enabled it to overcome many of its earlier difficulties and out of the initial confusion has emerged more than a semblance of orderliness in all major divisions. Industrial leadership appears to have been definitely established; "shoestring" elements are being rapidly eliminated; the quality of products has been improved; consumption is gaining; and the threat of price wars appears to be less menacing than it was last summer. All of which is indisputable evidence of progress in a young but important industry to be entered on the credit side of its ledger.

The Problem of Heavy Stocks

Every industry, however, has a debit side on its ledger and in the liquor industry there are still several sizable items. Rapidly mounting stocks of aging whisky in the hands of distillers have unquestionably been the cause of much of the concern over the prospects for leading liquor companies. With all distilleries anxious to accumulate an inventory of aged whisky both for bonded and blended brands, production for some months has been maintained at capacity levels, averaging about 240,000,000 gallons annually and more than three times the present rate of consumption. This state of affairs, if permitted to continue, would inevitably exert considerable pressure upon the price structure. The industry, however, is not deliberately undermining its strength and the threat of over-production is one, fortunately, which would lend itself to speedy dissipation. The great bulk of recent production has been stored in warehouses for aging, with a definite objective in view. While the current demand for bonded whisky is less than 5 per cent of the total, it is expected to increase rapidly once sufficient supplies are available. The additional manufacturing cost of aging whisky is comparatively small and three-year-old and bonded whisky should ultimately be available to the consumer at a price only slightly higher than that for the popular brands of 18-

months and 2-year-old whisky which now account for the major proportion of consumption. Meanwhile, with popular brands being produced with older whisky, prices are holding firm.

Moreover, these large supplies of aging whisky are substantially concentrated in the hands of the leading units in the industry and which are, for the most part, well able to finance them. These distillers are in a position to cease production at any time. As, indeed, several of them did during the summer months, without appreciably affecting their production costs, and in this way restricting output to economic limits. The fact that current stocks are considerably greater than the average for the years prior to Prohibition has been one of the principal causes for apprehension on the part of the investing public, but as has been recently pointed out, the figures for pre-Prohibition years did not include the inventories of barrelled whisky which were being carried by individual bars and restaurants, which in the aggregate accounted for very sizable quantity. Today this practice does not exist, as all whisky must be purchased in bottles, except in the case of rectifiers.

Bootleggers and Taxes

The industry is doubtless still plagued by bootleggers and would welcome lower taxes. Bootlegging, however, appears to be on the wane, but relief from high Federal and State taxes is at best a remote possibility. Imports, largely as a result of lower duties, nearly doubled in the first seven months this year, but as yet have not seriously challenged the supremacy of the domestic product. In fact, in July consumption of imported spirits was lower than in June, while consumption of domestic spirits increased about 600,000 gallons. For the first six months consumption of domestic products was nearly 25 per cent ahead of last year.

All in all, therefore, it would appear that the constructive aspects of the liquor situation at this time outweigh the uncertainties and with the prospect that holiday business may attain record-breaking proportions, it is timely to examine the status of several of the more important distillers.

Schenley Bids for Leadership

Last year Schenley Distillers Corp. made a strong bid for leadership in the domestic liquor industry. Just how strong that bid was may be seen from the fact that sales volume doubled, while dollar volume increased 55 per cent to more than $63,000,000. National Distillers, on the other hand, showed a gain of 43 per cent in the number of cases sold and dollar volume of $52,600,000 was only 5 per cent above 1934. National Distillers, however, with a total production of 26,000,000 gallons of whisky last year, was "tops," accounting for 14 per cent of the total. Schenley was probably a good second.

Thus, in the face of established competition, Schenley has in a comparatively short time established itself as one of the dominant factors in the industry. For this achievement, considerable credit is reflected upon the shrewdness and aggressiveness of the company's management. Substantially-increased sales of the company's low-priced brands Old Quaker and Wilken Family, accounted principally for the gains last year and with such other brands, Golden Wedding and Cream of Kentucky, contributed a total of 80 per cent of gross. Sales of various imported wines and liquors last year ran into $4,000,000. The agencies for imported products which have been gathered into the Schenley fold are considered by many in the industry to be the best available. In addition to a number of vintage wines and champagnes, the company has the agency for Noilly Pratt Vermouth, Dubonnet, Octard cognac, and one of the largest selling importations, Bacardi rum. According to reports, the company's line of importations has been thoroughly rounded out by the recent addition of Dewar's Scotch whisky, one of the most popular brands, of which the company may sell 150,000 cases a year.

Late last year Schenley sold 150,000 shares of 5½ per cent preferred stock and with the proceeds paid off bank loans of $10,000,000 and invested some $4,000,000 in increasing its distillery and warehouse facilities. During 1935, current assets practically doubled to $40,654,226; cash increased about $5,000,000; and current liabilities were practically unchanged at $6,733,984. Net profit last year of $8,035,268 was equal to $7.65 a share on the 1,050,000 shares of common stock, comparing with $6.63 in 1934. Earnings in the first six months of this year were practically on a par with those a year ago, but current preferred dividend requirements reduced per-share results for the common to $2.52 a share as against $2.88 in the first half of 1935. Substantial earnings coupled with increased working capital permitted the inauguration of dividends on the common and two quarterly payments of 75 cents each have been made this year. Favored by a promising outlook, earnings for the full year may exceed $7 a share, of which at least $1.50 will probably be shown in the third quarter and $3 a share in the final three months. Although working capital requirements for the purpose of carrying aging liquor stocks must be considered, the company will be compelled to disburse a generous extra dividend before the year-end, or be subject to a heavy surplus profits tax. Quoted at 50, the shares are reasonably valued and may well prove a profitable acquisition from the standpoint of both income and price appreciation.

National Distillers Strong in Bonded Whisky

Although National Distillers dropped to second place last year, the company continues to be a formidable factor in the domestic liquor industry and is in a strong position to regain its leadership when bonded whiskies become available in large quantities. The company is credited with having the largest stocks of aging whisky in the United States and at the end of last year, with 43,000,000 gallons of whisky in bond, National Distillers' supplies were equivalent to 20 per cent of the total. Despite a 43 per cent increase in case volume last year, lower prices restricted the increase in net sales to some $2,500,000, or about 5 per cent. Nearly 95 per cent of the total volume last year was made up of the low-priced brands of young whiskies. Last year the company marketed $15,000,000 4½ per cent debentures and working capital position was materially improved. Bank loans were eliminated and current assets at the end of the year totaled $5,898,429, including cash of nearly $5,000,000, while current liabilities were

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Leading Liquor Stocks

	Latest Earnings per Share 1935	1936	Price Range 1936 High	Low	Recent Price	Dividend
Schenley Distillers.	2.88(a)	2.52(a)	52	37¾	51	3.00
National Distillers.	1.41(a)	1.35(a)	33⅜	25⅝	31	2.00
Hiram Walker....	3.87(b)	5.02(b)	41¾	26⅛	41	2.00
Dis. Corp.-S'grams.	5.05(c)	2.41(c)	34⅝	18¼	24	None

(a) 6 mos. to June 30. (b) 9 mos. to May 31. (c) Fiscal year ended July 31.

A World-Wide Stake in Metals

Improving Demand and Higher Prices Should Benefit Company

By George W. Mathis

WHAT a remarkable period of recovery the past three or four years have been for metals of all kinds, both base and precious. Copper, selling close to five cents a pound in 1932 has almost doubled in price, while demand has so increased that stocks which once seemed almost insurmountable have dwindled to a bare three-months' consumption. About the same may be said of lead and zinc. As for gold, the devaluation of the currencies of the world has resulted in a veritable boom in the production of this metal. It looked at one time as if silver might be a minor exception; but no, along came the Government of the United States to put it upon its erstwhile pedestal, though the Orient be reduced to bankruptcy in the process. Not to forget the ferrous metals, it is no news that the recovery tide also flows strongly for them: here, however, we are concerned with non-ferrous metals and a particular producer and handler thereof.

There are a number of American companies whose business is international in scope, but it is doubtful whether one can find an American mining organization whose interests are as widely scattered as those of the American Metal Co., Ltd. It affords a stake in mining and refinery operations in the United States, Central America and South America; it is in Cuba and South Africa. Few, indeed, are the common non-ferrous metals with which it is not concerned.

The company's business will be seen best, if considered in three divisions. There are first of all the operations of the parent company and those companies in which it owns more than eighty per cent of the voting control. Then there are those companies in which more than fifty per cent but less than eighty per cent of the voting control is owned. Finally, there are those interests in which the status of American Metal Co., Ltd., is that of investor.

Highlights of the American Metal Co., Ltd.

Business—Mining, Smelting and Refining

Products

Copper	Gold
Lead	Silver
Zinc	Platinum
Sulphuric acid	Solder

Other investments in:

Climax Molybdenum	230,490 shares
Cerro de Pasco	13,000 shares
Roan Antelope	2,200,000 shrs. approx

Earnings on the common

1935	1934
33 cents	deficit
1st half 1936	1st half 1935
24 cents	7 cents

Present price of common: $39 a share

Present price of preferred: $130 a share

Accumulated dividends of $14 a share on the preferred being liquidated in cash at the annual rate of $10 a share.

Funded Debt: Negligible

Bank Loans: Nil.

In the first of these divisions there is the large refinery and smelter on a hundred-an-fifty acres of land in Carteret, N. J. Its annual capacity is about thirty million ounces of silver, half-a-million ounces of gold and a quarter million pounds of electrolytic copper. In addition there is a large lead plant and a department for white metal with an important output of solder. Near Pittsburgh there is a zinc smelter owned by a subsidiary, American Zinc & Chemical Co. and this in turn has other subsidiaries, one of which owns extensive coal lands. Another, and somewhat larger zinc subsidiary, operates at Blackwell, Okla. A wholly-owned natural gas pipe line company serves the Blackwell plant.

Aside from a silver property in Texas which was shut down when the price of the metal became unprofitable, but which has since been reopened, together with various selling and trading subsidiaries, American Metal's principal domestic activities are about exhausted. The parent company, however, has a number of important subsidiaries operating in Mexico. These in turn have their own satellites, in addition to which they have many investments and lease much property. For the most part, operations are of the lead-zinc-silver variety.

Whenever a company has an important stake in Mexico it is as well to remember that foreign capital in this country has had, and still has, its troubles. The American Metal Co. constitutes no exception. The series of strikes and other labor disturbances which have lately played so prominent a part in the Mexican scene have their tap-root in the

past exploitation of the laboring classes—not, of course, exploitation on the part of any particular American company, or even of American capital exclusively, but rather was Mexican labor exploited by everyone, foreigner and national, with which it had contact. Landless and downtrodden for ages we find the Mexican reacting not unlike the Russian peasant under similar conditions. The present Government in Mexico is very definitely pro-labor, socialistic if you like, although some would say that it came pretty close to being communistic. Alone among countries, it was Mexico that shipped openly arms and munitions to maintain the power of the Spanish Government.

This is the background against which all business operations in Mexico must be viewed. However, lest the investor in the American Metal Co. become unduly alarmed, let it be said that, while conditions in Mexico are far from being all that might be desired, there are signs of a more reasonable attitude. At least there seems to be no strongly growing disposition towards confiscation. The materialization of the expected rising demand and better prices for Mexico's non-ferrous metals might well do much to allay trouble with labor because it would put the companies in a better position to meet the less far-fetched demands.

Other Interests

Let us turn now to those companies in which American Metal owns more than fifty per cent, but less than eighty per cent of the voting control. There are additional Mexican properties, mines and refineries, in this position. Among these, the Compania Minera "La Parrena," S. A., a miner of lead-silver ores, reduced its accumulated deficit from operations by some $72,000 last year. The smelting and refining operations of the Compania Metalurgica Penoles, S. A. at Torreon and Monterrey, Mexico, resulted in a net profit of some $577,000. The sixty-per cent-owned Cuban subsidiary which is a producer of copper was unprofitable last year. The American Metal Co. of New Mexico, a zinc-lead proposition having some copper, silver and gold, all of whose first mortgage bonds together with fifty-one per cent of the common stock are owned by the American Metal Co., reported a moderate profit for 1935.

To complete the rough sketch of American Metal's activities a jump to the other side of the world must now be taken. It was in 1928 and 1929 that American Metal first became heavily interested in African mining enterprises. Today, it owns about 55 per cent of the outstanding capital stock of Rhodesian Selection Trust whose principal reason for being is that it holds a two-thirds interest in Mufulira Copper Mines. The latter is in operation, although the profit last year failed to cover either depreciation reserve or debenture interest. American Metal owns in addition to this African interest 35 per cent of the outstanding capital stock of Roan Antelope Copper Mines. This company is doing very nicely and will pay a dividend next month of one shilling and sixpence on its ordinary (par five shillings) stock. This is for the year ended June 30, 1936, whereas for the previous year a dividend of only one shilling a share was paid.

There is a close connection between the American Metal Co., Ltd., and other African mining interests. For example, the rest of Mufulira is owned by Rhokana Corp., Ltd., while American Metal, owing nearly a 22 per cent interest in the South African Copper Co., shares the ownership of the latter with Newmont Mining and Rhodesian-Anglo American Co. American Metal holds a number of contracts under which it will refine blister copper electrolytically, when called upon to do so.

Dividend-Paying Investments

Nor does this complete the widespread interests of the American Metal Co. It owns some 230,000 shares, or 9 per cent of the total outstanding, of Climax Molybdenum, a company responsible for about three-quarters of the world's output of that important alloy metal from which it takes its name. The stock of this company is selling currently around forty dollars a share and is paying dividends at the annual rate of eighty cents a share. Then there are the 13,000 shares of Cerro de Pasco: these are worth about fifty-three dollars a share and the annual dividend is four dollars a share. Finally, towards the end of last year the American Metal Co. acquired a substantial interest in the Consolidated Coppermines Corp., a company owning mining properties in which substantial tonnages of copper ore have been developed.

When a business is as widely scattered and covers as many different products and activities as is the case with the American Metal Co., Ltd., it is not easy to draw it together and say simply that this and that are favorable factors in the outlook which this and the other thing are sources of possible trouble. Complicated and far-reaching as the business is, however, we do know that on the whole substantial progress has been made over the past few years. This can be seen from the steady increase in production of the company's smelters and refineries. Copper output, including custom smelter operations, was up from eighty-four thousand tons in 1933 to a hundred-and-twenty-nine thousand tons last year, lead from twenty-nine thousand tons to sixty-six thousand tons. Last year, gold output at five-

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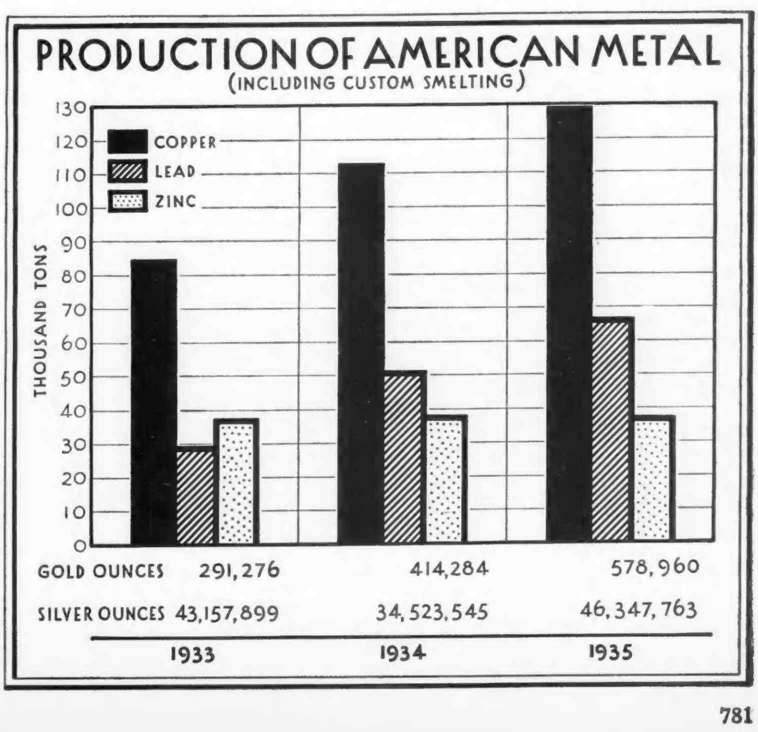

For Profit and Income

Benefiting from Stability in Foreign Exchanges

The devaluation of the franc and the gentleman's agreement in connection with the foreign exchange quotations for the dollar, the pound and the franc, unquestionably is a long step forward towards the ultimate stability of currencies. A number of American companies over the past few years have been seriously inconvenienced by foreign exchange restrictions which have prevented them from remitting funds between one country and another. Should late developments foreshadow the dawn of an era of much freer and more stable exchanges, it would be most helpful to such American companies as International Telephone & Telegraph and American & Foreign Power. In addition, it would bring benefits to companies doing a large foreign business. A number of American oil companies are in this position. Then there are such international companies as Eastman Kodak which will be helped to some extent. Nor must one forget that the devaluation itself of the franc and the other countries that have followed may well be a factor of some importance to American companies with extensive properties abroad. One can imagine, for example, that the United States Rubber Co. will find its plantations in Sumatra less costly to operate now that their rubber, sold for dollars in this country, will purchase a greater amount of Dutch guilders.

* * *

Sulphur Taxation

It is a reasonable assumption that the sulphur companies would have participated to a far greater extent in the present bull market had it not been for an unfavorable tax situation. Sulphur is an essential raw material and its consumption has increased in line with the general recovery in business. Louisiana, however, not long ago raised the sulphur extraction tax to two dollars a ton and now the Texas legislature is proposing to lift the tax in that state from seventy-five cents a ton to the amount imposed by Louisiana. At least the latter was the recent suggestion of the Governor, James V. Allred, although a bill actually introduced in the legislature proposes to increase the tax only to a dollar and five cents a ton. With the Louisiana levy being contested in the courts and an indeeterminate amount about to be imposed by Texas, it would seem that nothing very much could be expected of the sulphur stocks, despite their fundamentally brighter outlook, until these uncertainties are removed.

* * *

Further improvement in the statistical position of newsprint was seen in the announcement that big producers on the Pacific Coast had established a contract price for 1937 of $42.50 a ton—up $1.50. A non-contract price of $46 a ton has been established. Over a period, much higher prices for newsprint are foreseen.

* * *

Avoiding Taxation on Undistributed Profits

Under the objectionable law providing for the taxation of corporate income which is not distributed to stockholders, a company's management is confronted with the difficult choice between retaining its earnings to build up the business and paying heavily for the privilege of doing so, and distributing the greater part of its earnings to stockholders in order to hold the tax at a minimum. It seems, however, that the difficulty may be avoided. Phillips Petroleum is proposing to reimburse itself for dividends that might better have been retained in the business by the issuance of rights to common stockholders. The Caterpillar Tractor Co. has just created an issue of preferred stock and it is said to be the intention of the directors to declare an extra dividend of 50 cents in cash, or 1/200 of a share of the preferred. Later on when the results for the year can be more nearly determined yet another extra will be declared in order to bring dividends closely in line with the company's present excellent earning power.

* * *

From the experience afforded by the past few years, it might be contended that returning prosperity means little more to the average American than a chance to move himself faster and more freely from one location to another. Look at the records chalked up by the automobile industry, note the prosperity of the bus lines, the sensational increase in railroad passenger traffic, the record-breaking passenger business being done by the airlines. Look a little deeper and one will find a boom in trailers and something pretty close to a boom in boats. And it's all because people in this country apparently must be ceaselessly on the move—over land, in the air and on the water.

* * *

Farm Equipment

Although the larger farm equipment companies make public their earnings only once a year and thus there is a lack of concrete figures to present in support of the claim, this is an industry that seems to hold great potentialities for the investor over the near future. The Bureau of Agricultural Economics has just estimated that the cash income from farm products marketed in 1936, together with government payments, will total about $7,850,000,000. This compares with $7,090,000,000 for the

calendar year 1935 and with $4,328,000,000 for 1932. The market action of farm implement stocks was a wavering one in the face of the drought news. It is now being realized, however, that farmers as a whole are a great deal better off despite this disaster and that a goodly part of their increased cash receipts will go into additions and improvements to their farm machinery. With farm income to be guaranteed no matter who is elected and sustained farm purchasing power assured, the possibilities in International Harvester, Deere and J. I. Case appear far from exhausted.

* * *

General Electric Favored

The orders placed with General Electric during the third quarter of this year totalled almost $75,000,000, an increase of 38% over those of the third quarter, 1935. A power conference is being held currently between representatives of the public utilities and the present Administration. Should it end on a note of reassurance that the public utility industry need fear no intensification of political persecution, one can imagine orders being placed with General Electric and other makers of electrical equipment in quantities nearly sensational.

* * *

An Interesting Preferred

There is still some of the old 6% cumulative preferred stock of the Republic Steel Corp. outstanding—stock that refuses to accept the company's offer to exchange it for one-half share of the new 6% prior preference stock and two shares of common. The Republic Steel Corp. this year is expected to show net income after all charges and ordinary federal taxes of not far from $9,000,000. Of this about $3,000,000 will go to the holders of the new preferred in settlement of the regular dividend due and all the arrears that had accumulated on the issue. This leaves about $6,000,000 which cannot be paid to the holders of the common until the arrears on the old preferred have been settled. At the end of the year these arrears will total $37.50 a share. If the company decides to distribute nothing on the old preferred, it immediately becomes subject to the tax on undistributed earnings and this tax on the particular $6,000,000 mentioned above will be well over $1,000,000. It would clearly seem that this were too large a penalty to pay for not settling with one's own stockholders and, although Republic Steel could hardly be expected to pay all the arrears on its old preferred at once, there would seem to be a strong likelihood of holders being made a new and more attractive offer. The present price of the old preferred is about $115 a share.

* * *

The locomotive stocks have been further stimulated by the news that the New York Central is asking for bids for 25 passenger engines and 25 switching engines for the Pittsburgh & Lake Erie. From present indications it looks as if total locomotive orders this year will be over two hundred.

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Cement

The increased activity in construction, much of which has been of the heavy variety—roads, dams, bridges—requiring cement in quantities, has greatly improved the prospects of the cement manufacturers. Sales this year are expected to be in the neighborhood of 40% ahead of last. Foreign cement continues to enter the country in increasing quantities and is an important factor in the situation on the Eastern Seaboard. However, making due allowance for this threat, cement company earnings appear to point upwards definitely. From a stock market standpoint, the shares of International Cement and Lehigh Portland Cement seem to be among those in the best position. The latter has just declared an extra dividend of 50 cents.

* * *

Confirmation of the business improvement is seen in the gains reported by banks in "other loans." The New York City member banks report "other loans"—which are chiefly for commercial purposes—as of September 30, $157,000,000 above July 29. Although it still seems to have a long, long way to go, ultimately the business demand for money will cause a firming in rates and lower prices for fixed income securities.

* * *

Bank and Insurance Stocks

In the New York over-the-counter market, bank stocks have been exceptionally strong recently. This was the not unnatural reaction to the favorable third quarter statements, many of which have been issued in the past few days. For example, the indicated earnings of the New York Trust Co. for the third quarter of this year were $2.02 a share compared with $1.25 a share in the corresponding period of last year; the Guaranty Trust showed $3.47 a share against $2.48, the Corn Exchange $1.02 against $0.90 and Lawyers Trust $0.83 against $0.41. On the other hand, the earnings of Chase National, Empire Trust, Irving Trust and Marine Midland were either unchanged or slightly lower. It is anticipated that a further improvement in business activity will bring business enterprises into the market for funds and that this will increase the earning assets of banks generally.

* * *

The new $4,000,000 Savannah unit of the Union Bag & Paper Co. opened the other day. The company figures to save $20 a ton on all pulp it puts through the new mill.

Farm Income Prospects Point to Large Equipment Sales

Five Opportunities For Current Purchase

Sound Equities Which Should Enjoy Broad Long Term Appreciation

By The Magazine of Wall Street Staff

U. S. Pipe & Foundry Co.

Earnings of U. S. Pipe & Foundry have staged a most impressive recovery this year. In the first six months net income available for the common stock was equivalent to $1.84 a share, comparing with 25 cents a share earned in the corresponding months of 1935. Responding to this marked turn for the better in the company's affairs, the shares have more than doubled in value this year. Possibilities for further substantial price appreciation, however, are by no means exhausted.

U. S. Pipe & Foundry occupies a dominant position in its field. The company manufactures and sells cast iron pipe and special castings for water and gas mains and numerous other purposes. In addition, it manufactures machinery used in the sugar and chemical industries and conducts a foundry jobbing business. It has exclusive license for the United States, on a royalty basis, to manufacture, and to grant sub-licenses, under the deLavaud process patents for producing centrifugally cast iron pipe and other products. Operations in recent years have become more and more concentrated in the use of the deLavaud process, enabling the company to effect important economies and abandon obsolete plants and methods. Currently, the company is operating five main plants, while a number of unused plants will either be sold or dismantled.

Earnings Per Share 1st 6 mos. 1935	Earnings Per Share 1st 6 mos. 1936	Recent Price	Div.	Yield
$0.25	$1.84	$50	$1.50	3.0%

The sharp upturn in recent earnings reflects broadening demand for the company's products, particularly from private consumers. Normally, a considerable portion of the demand for cast iron pipe emanates from municipalities and utilities and currently the probabilities are that improved public finances are stimulating the installation of water mains, etc. Accounting for about 50% of the annual output of cast iron pipe, the company naturally would be the leading beneficiary. Federal-financed projects also are contributing to the upturn.

The peak level in the company's earnings was attained in the several years prior to 1927, when the last building boom was at its height. Operations in subsequent years yielded a profit until 1932 and 1933 when deficits were shown. The aggregate of the deficits in these two years, however, was less than $1,500,000 and with finances solid, dividends on the common stock, although reduced, were continued without interruption. Since 1933, earnings have pointed sharply upward, net in 1934 having been equal to 30 cents a share for the common, followed by 88 cents a share last year. Based on results thus far this year, net for the common should be between $3 and $4 a share. Reflecting the favorable trend of current profits, dividends on the common were increased from 50 cents to $1.50 annually, earlier this year.

Last February the company called all of the 560,160 shares of $1.20 preferred stock outstanding, borrowing $6,000,000 from banks for this purpose. Subsequently these bank loans were discharged by the sale of $5,000,000 3½% convertible debentures, due 1946. Recently, $2,000,000 of these debentures were called for redemption on November 1. As they are convertible into common stock of the company at $42 a share, however, holders will convert in lieu of accepting the redemption price of 102½. This will add 47,620 shares to the 600,000 shares of common stock outstanding. Although the common stock equity will be reduced to this extent, the savings made in prior charges through the redemption of the preferred and the retirement of the debentures are a partial offset.

Currently quoted at 50, the shares of U. S. Pipe & Foundry are discounting the more immediate outlook. At the same time, there appears to be no valid reason for questioning the further expansion in profits next year in line with the expected continuation of the recovery movement. With earnings running at a rate substantially in excess of dividends, the possibility of larger disbursements in the near future is well founded.

International Harvester Co.

Full recovery of its pre-depression earning power is fast becoming a reality for International Harvester. Dividends already have been restored to the 1929 rate. The company does not issue interim reports but it is a safe assumption that it continues to share the more prosperous condition of the farmer, and that of general industry as well. Notwithstanding the unfavorable implications of the severe drought last Summer, competent authorities have estimated that the aggregate gain in farm income this year will be between $600 and $800 million. The effects of the drought will result in sectional uneveness in farm purchasing power but which, from the

standpoint of an organization such as International Harvester, should be more than offset by the higher prices and broader demand for agricultural commodities not affected by the drought. For example, late surveys have indicated that sales of automobiles and trucks in farming areas have been maintained at the same proportion to the total as they were prior to the drought. On the whole, therefore, it would not be surprising if sales of International Harvester were the largest since 1929.

Although retaining its position as the foremost manufacturer of agricultural equipment and supplies, International Harvester has in recent years become an important factor in other fields, notably in the motor truck industry. Last year tractor sales and repairs contributed 30% of domestic sales; and the company has been steadily expanding its line of industrial machinery and Diesel units.

So far as demand for farm equipment is concerned, there is nothing to suggest that the large deficiency created during the depression has been more than moderately made up. It has been estimated that accumulated requirements are as much as a billion dollars. That the company itself expected increasing sales momentum this year is indicated by the fact that it entered 1936 with the largest inventories since 1929. Both truck and tractor sales this year have recorded important gains; and exports, although still sub-normal, have turned up. Improved agricultural conditions have benefited International Harvester not only from a sales standpoint, but collections of outstanding receivables have improved considerably.

Earnings Per Share 1934	1935	Recent Price	Div.	Yield
Nil	$3.27	$85	$2.50	2.9%

Last year the company's profits scored a remarkable gain, being some 500% more than in 1934. Net of $19,618,238 was equal, after preferred dividends, to $3.27 a share for the 4,245,773 shares of common. Total sales were in excess of $217,500,000, a gain of 57% over 1934 and only 35% under 1929. Financial position was impregnable. Current assets amounted to $253,378,594, while current liabilities were $33,284,890. Cash, or the equivalent, was in excess of $70,000,000, and net working capital was the highest since 1931.

International Harvester common stock is held in high investment regard and long term faith in the company's strongly fortified industrial position has been justified by the rapidity with which it has recovered from depression adversities. As an equity in one of the nation's leading enterprises, the shares have much to recommend them as medium for broad participation in further general business recovery. At 85, they are obviously a "blue chip," but this premium appears to be fully warranted by the prospects for expansion in earnings and increased dividends.

Aluminum Co. of America

The shares of Aluminum Co. of America are frequently referred to as a "romance" investment. This characterization has also been given to other securities on occasion, when it has merely served to lend an air of mystery to uncertain prospects. In this instance, however, it seems most appropriate. For one thing, Aluminum Co. is the largest domestic factor in the aluminum industry, a position which it holds by virtue of ownership of the largest bauxite (aluminum ore) deposits in the country, and the aggressiveness and success attending its efforts in developing the commercial possibilities of the metal. As to the future, the company by its well rooted position is assured a full share of the benefits which will follow in the wake of the further development and broader use of aluminum metal. Aluminum, this year is celebrating its fiftieth birthday and during the last half century the persistent development of new uses and aluminum alloys has made the metal indispensable in an increasing number of industries. In importance among other basic metals it ranks fifth. Still the possibilities for further application have by no means been exhausted and, barring the development of some competing alloy or other metal, the consumption of aluminum should continue to show a broad upward trend.

Although it is the leading company in an important industry, if one were to judge Aluminum Co. on the strength of its recent earnings and dividends it would not be hard to reach the superficial conclusion that the shares were grossly overvalued. No dividends have been paid since 1925 and earnings, which reached a peak of $11.18 a share in 1929 and slumped to $1.93 a share in 1930, were not sufficient to permit the maintenance of preferred dividends throughout the depression. Preferred dividends have since been resumed but accumulations still amount to $16.25 a share. On the other hand it must be conceded that financial policies have been unusually conservative. Depreciation allowances, despite the slump in profits during the depression, were maintained at about $5,500,000 annually. Considering the company's ownership of valuable ore deposits, eleven mills, a number of fabricating units, railroad and steamship facilities and large utility investments, it appears quite likely that the value of $223,000,000 placed on total assets is understated. Since 1929, working capital, which totaled $30,221,000 at the end of last year, declined about $24,000,000, but this has been more than offset by the reduction in funded debt from $60,000,000 to less than $21,000,000 early this year. Considerable money has also been invested in research activities, the fruit of which, however, may not ripen until some time in the future. And finally, control is vested with the Mellon interests in Pittsburgh, a fact which not only accounts for some part of the market premium placed on the shares, but also the conservative financial and dividend policies which are a notable characteristic of Mellon-controlled properties.

Earnings Per Share 1934	1935	Recent Price	Div.	Yield
Nil	$0.55	$1.30	None	——

In addition to the funded debt, the common is preceded by 1,460,373 shares of 6% preferred stock, a capital set-up which imparts considerable leverage to the 1,472,625 shares of common. Only about one-third of the common is outstanding in the open market, the balance being owned by the Mellon interests. Leverage plus a small floating supply result in wide fluctuations marketwise. With some $23,000,000 in back dividends on the preferred stock to be taken care of, common dividends are some distance away, even in the face of the new tax on surplus profits. Earnings available for the common, however, aided by rising business and the leverage factor, may rise rapidly from this point on and to the ultimate advantage of the shares marketwise. The shares are primarily suited for the investor endowed with patience and willing to forego dividends for an indefinite period, but on this basis they offer considerable promise.

Hercules Powder Co.

The scope of industrial activities engaged in by Hercules Powder Co. is barely suggested by the company's name. Primarily, of course, the company is a manufacturer of industrial explosives, such as dynamite, smokeless

powder and blasting caps, as well as loads for rifles and shotguns. The manufacture of nitrocellulose is a natural complement to the explosive division and of late the demand for nitrocellulose has been substantially augmented by its use in lacquers, plastics, artificial leather, rayon, etc. In 1926 Hercules entered into the manufacture of chemical cotton or cellu-

Earnings Per Share 1st 6 mos. 1935	1st 6 mos. 1936	Recent Price	Div.	Yield
2.01	2.51	130	$5.00	3.8

lose, made by treating cotton linters with caustic soda. The company utilizes substantial quantities of cellulose itself, while the balance of its output is taken by rayon manufacturers and others. The production of naval stores —rosin and turpentine—is an important phase of the company's business, further expanding the list of industries from which customers are drawn to include soap, paper and paint. And finally, Hercules manufactures large quantities of paper size, such as rosin size, oils and tallow. As a whole, the company is a diversified chemical unit dependent upon no single activity or industry and diversified to a degree which should give it a full share of business recovery. The same factors enabled the company to offer strong resistance to the depression.

At the low point of the depression in 1932, the company was able to show earnings of 24 cents a share for the common stock. They rose to $2.79 a share in the following year, to $3.94 a share for 1934, while last year net, after all charges and preferred dividends, was equivalent to $4.23 a share for the common. Dividends have been continued without interruption and have maintained the pace set by rising earnings. Regular payments of $3 a share were made on the common last year, plus an extra of 50 cents. Early this year the shares were put on a $5 basis and earnings in the first six months were equal to $2.51 a share, comparing with $2.01 in the same months last year. Unofficial reports have indicated that the rate of gain in subsequent months has been at a more accelerated pace and for the full year earnings may closely approximate $6 a share for the common.

The company's 7% preferred stock which was callable at 120 was made a 6% preferred, non-callable prior to November 15, 1941. This change will become effective on November 15, next. In this way the common shareholder benefited by a reduction in demands prior to his own, and preferred stockholders suffered no greater decline in income than was warranted by the prevailing low interest rates. Including 8,706 shares of preferred owned by the company, the issue is outstanding in the amount of 96,194 shares. There are 606,234 shares of common, including 22,355 shares owned by the company. Current assets, including nearly $7,000,000 in cash and marketable securities, amounted to $16,780,137 at the end of last June, while current liabilities were less than $2,000,000. Obviously, the company's strong financial position permits considerable latitude in the matter of dividends.

Last June, Hercules concluded negotiations with the I. G. Farbenindustrie of Germany, giving to the former control of American patents covering I. G. processes for manufacturing cellulose acetate. This will provide Hercules with an entry into such important fields as transparent wrapping material and non-shatterable glass, and further strengthen its position in the rayon and lacquer industries.

Recently quoted around 130, Hercules Powder common is selling at a somewhat lower ratio to both dividends and earnings than other representative chemical issues, a condition which suggests the shares as an advantageous investment opportunity.

Allis-Chalmers Mfg. Co.

Tangible evidence that Allis-Chalmers is progressing speedily toward the recovery of its pre-depression earning power is to be found in the action of directors in resuming dividends last June at the rate of 25 cents quarterly, and in September advancing this rate to 37½ cents. These payments, however, represented only 40 per cent of the company's earnings in the first six months. Net income was equal to $1.55 a share for the stock as compared with 42 cents a share earned in the same period a year ago. On the basis of this showing and the favorable conditions which have since prevailed, estimates place earnings for the full year at upwards of $2.75 a share. This would be the best showing since 1930, when $2.87 a share was earned.

In recent years Allis-Chalmers has completed a broad program of diversification and at the present time activities are represented by three principal divisions — electrical equipment, tractors and farming machinery, and heavy industrial machinery. The outlook for all of these divisions is promising at this time. The persistent gains in electric power and light consumption direct attention to the fact that further increase will make it necessary for many of the large public utility companies to expand their generating and transmission facilities. Allis-Chalmers has already received several sizable orders for this type of equipment. To what extent the company's sales of tractors and farm equipment may be affected adversely by the recent drought is indeterminable at this time, but there is an excellent chance that sales may only be temporarily retarded and largely offset by demand from other agricultural sections favored by higher prices and good crops. As a further offset to restricted sales of agricultural equipment, the increasing demand for industrial machinery will prove timely. Although the demand for this class of capital goods has been slow in materializing, the number of companies undertaking the replacement of outworn and obsolete machinery has been increasing steadily. At the end of June Allis-Chalmers' unfilled orders totaled $10,776,000, an increase of about $1,500,000 since the end of March.

Late last year the company took advantage of low interest rates to sell $15,000,000 4% convertible debentures due 1945, utilizing the proceeds to retire $14,000,000 5% debentures due in 1937. Recently, $5,000,000 of these new debentures were called at 103, but as they were convertible into the common stock at $35 a share, holders will elect to accept the conversion privilege. As a result 142,857 shares will be added to the 1,344,479 shares of capital stock outstanding. Although the equity for the stock will be diluted to this extent, a dividend of 37½ cents on the additional stock in the final quarter would amount to $53,571, while a half-year's interest requirements on the called bonds would have required $100,000. While the increased floating supply of stock may act as a drag marketwise for the time being, the

Earnings Per Share 1st 6 mos. 1935	1st 6 mos. 1936	Recent Price	Div.	Yield
0.42	1.55	60	1.50	2.5%

fact that the bonds are largely held by stockholders may prevent much of the additional stock from immediately coming into the market. The recent action of the shares would appear to support this likelihood.

Although seemingly discounting near-term prospects, the shares of Allis-Chalmers, nevertheless, embody the elements desirable in an equity at this point in the recovery cycle, and longer term commitments should be productive both of increasing dividends and price enhancement.

Taking the Pulse of Business

—*Motor Output Rises*

—*Steel Activity Continues*

—*Oil Outlook Better*

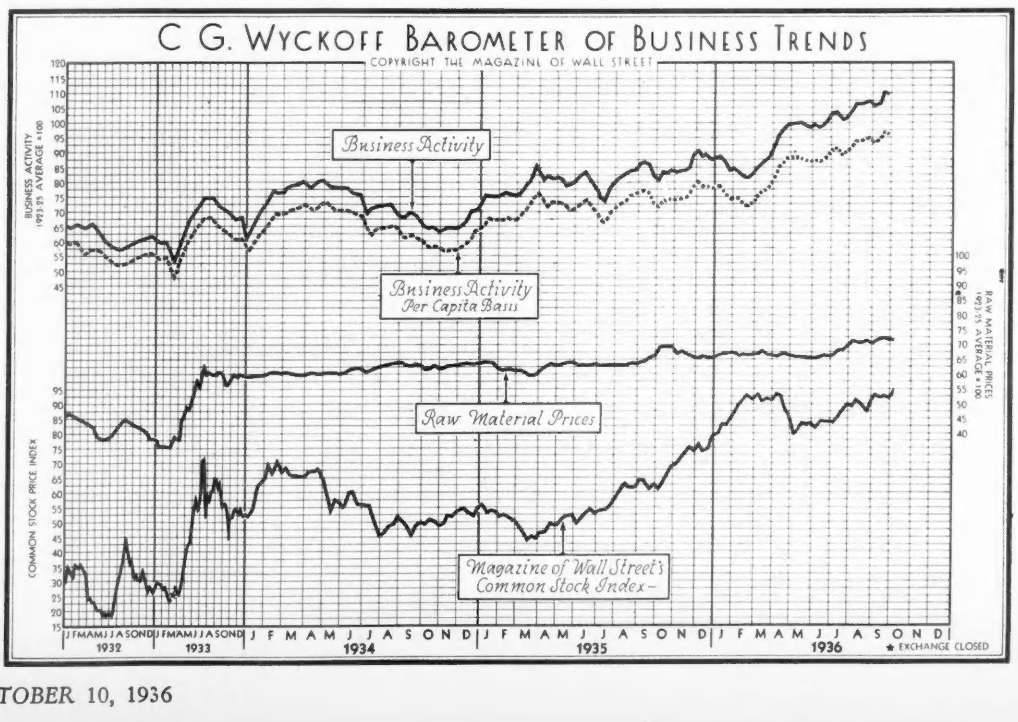
—*Rails and Equipment Gain*

WITH the opening of assembly lines for 1937 models by Buick, Lincoln and Graham, the total volume of motor car production has increased at a much greater than normal seasonal rate and caused a sharp temporary spurt in our Business Activity Index to 97.4% of normal, on a per capita basis. Subsequently, however, the closing of Ford assembly lines for retooling has dropped the country's automobile output to the lowest level of the year, and brought the per capita index down to around 96% of normal. At this season of the year it is difficult to arrive at the true rate of Business Activity, on a seasonally adjusted basis; because motor car production is at such a low ebb that minor fluctuations loom large on a percentage basis, and so tend to distort the Index somewhat. Nevertheless, it is encouraging to find that not all of the recent rise in Business Activity was caused by the temporary jump in automobile assemblies. Car loadings, electric power output and the steel ingot rate have all reached new highs for the year, while several other components of the Index have shown fractional improvement during the past fortnight.

Devaluation of gold bloc currencies with the cordial cooperation of England and the U. S. A. appears to have removed the threat of further currency wars for some time to come and should eventually help to accelerate an expansion in world commerce which has been in progress during the past few years. No serious effect upon domestic prices seems likely; though lowered values of foreign currencies may cause at least temporary declines in a few imported commodities such as tin and crude rubber in the absence of artificial support abroad.

This important first step toward the greatly to be desired stabilization of world currencies comes at a time when expansion in the capital goods industries at home has attained such momentum that frantic efforts to overcome shortages in equipment are adding fuel to the upward surge. Thus the coal industry is being faced with a shortage of coal cars at a time when industrial stocks are 44% lower than a year ago, steel companies are being hampered by shortages in coke, scrap steel, and semi-finished steel; while car shortages in other lines are also threatened. Moreover, in more than one industry—such as shoes, cigarettes, washing machines, and alkali—sales are establishing new all time records. Thus the recovery movement begins to take on the guise of an old fashioned boom where inability to obtain prompt delivery causes a duplication of orders and so aggravates the congestion.

Should business continue to improve at its present rapid



rate, the problem of car shortages may approach the serious proportions developed following the Armistice when the carriers were turned back to private operation in badly run down condition. Such a situation is always unhealthy; because any sudden change in business sentiment leads to cancellation of redundant orders and forced marketing of surplus inventories, thereby intensifying the ensuing reaction. Conditions have not as yet reached this critical stage, yet there are a few precautionary signs that will bear watching. For the time being, further advances in the price level (which have been partly responsible for recent inventory accumulations) are likely to be checked by the general lowering of foreign exchange rates; farm income, according to Government estimates, is likely to be only 4% ahead of last year during the closing five months, against a 17% gain for the first seven months; building permits in August were up only 50% over August a year ago, compared with a 74% increase for the first eight months; August machine tool orders were up only 2% over a year ago, against a cumulative increase of 50% for the first eight months; while department store sales in the New York metropolitan area for the first half of September were actually 1% lower than a year ago.

The Trend of Major Industries

STEEL—Partly under the stimulus of orders placed to beat the gun on price advances expected or already announced, the steel ingot rate has risen to 73.4% of theoretical capacity, which is the best level yet reached on the recovery and 50% ahead of last year at like date. In order to meet the shortage of by-product coke, independent bee-hive ovens, supposedly shut-down forever, have had to be put back into operation until repairs at by-product plants can be completed. The heavy expenditures for modernization and expansion of steel plants during the past two years have been mostly on finishing departments, and extensive repairs elsewhere will be necessary before enough semi-finished steel can be supplied to permit finishing departments to operate at full capacity. Some of the smaller sheet mills have been unable to meet shipping requirements lately and have refused further orders—partly owing to the difficulty of obtaining semi-finished steel and partly because of delays in securing open top cars for shipments. It is believed that rail prices, which were reduced three years ago, will soon be advanced.

METALS—Foreign purchases of copper and tin as a hedge against the decline in foreign currencies have tended to support prices for the time being in face of lower foreign exchange rates. The International Tin Committee has agreed to maintain the present 90% production quota through the 4th quarter; despite the disclosure that visible world stocks at the end of August were 9% greater than a year ago. Meanwhile comes the announcement that important tin deposits have been opened up in North Carolina and that plans are being perfected for erection of the first commercial tin producing plant in the United States.

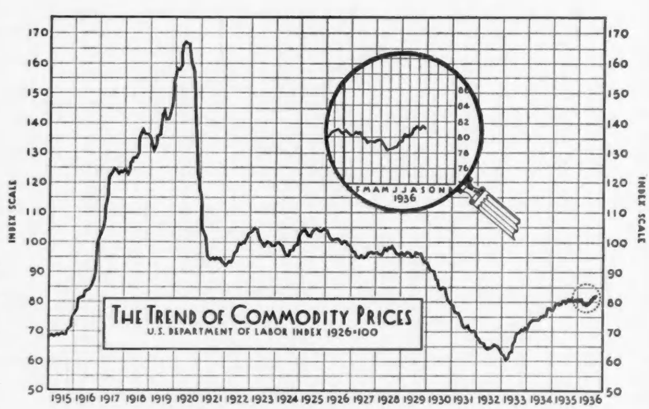
PETROLEUM—Despite continued gains in crude output, stocks above ground are still slightly lower than a year ago, with gasoline inventories only fractionally above last year. Profits of refiners are being helped by the rapid growth in demand for distillate fuel oil in winter months, a season when gasoline consumption falls off. Texas is planning to raise the State tax on production of crude oil and natural gas by 37½%; but Washington and the State's authorities have recently agreed to co-operate in maintaining the ban on "hot oil" from the East Texas field. Compared with the corresponding period of 1935, world production of crude for the first six months of the current year increased 11.3%. The gain at home was 12.5%, production here being 60% of the world's total.

RAILS AND EQUIPMENT—The I. C. C. reports that August gains of Class I carriers, as compared with August, 1935, amounted to 20% in gross and 53% in net operating income. Equipment on order Sept. 1, included 22,354 freight cars, compared with 7,240 a year earlier; and 70 locomotives, against 12. The trade believes that around 400 locomotives may be ordered next year.

AUTOMOBILES AND ACCESSORIES—Earnings of the eight leading passenger car makers for the third quarter, exclusive of Ford, are expected to exceed profits of last year's third quarter by 25%. The accessory industry seems slated for near capacity operations during the fourth quarter.

Conclusion

A volume of motor car production which is unusually high for this season of the year has joined with fresh recovery highs in car loadings, steel and electric power output to bring about a sharp spurt in our Business Activity Index to within 3% of normal on a per capita basis. Sporadic car shortages and labor tie-ups, coeval with rising prices, have retarded deliveries in some lines and prompted a certain amount of hoarding of goods and the placing of orders in a few instances, notably in grey goods, for delivery so far ahead as February. Such growing signs of congestion, together with the uncertainties caused by politics and falling foreign exchange rates, have been partly responsible for some slowing down in the rate of expansion in a number of lines, and suggest that, while the longer range business outlook remains favorable, it might be well to temper current enthusiasm with a modicum of caution.

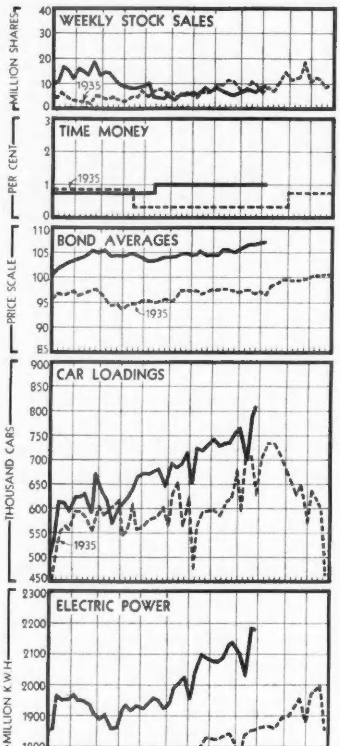


Changes in Major Commodity Price Group for the Fortnight Ended September 26, 1936

Farm Products	down	0.5	Metals	no change	
Foods	down	1.0	Building materials	up	0.1
Hides and leather	up	0.8	Chemicals	up	0.3
Textiles	up	0.4	Housefurnishings	up	0.4
Fuel and lighting	no change		Miscellaneous	down	0.2

The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

1935 Indexes High	1935 Indexes Low	1935 Indexes Close	Number of Issues	(1925 Close—100)	1936 Indexes High	1936 Indexes Low	Sept. 19	Sept. 26	Oct. 3
78.6	43.0	78.4	295	COMBINED AVERAGE	95.3	78.4	92.9	92.3	95.3H
119.5	64.1	113.4	5	Agricultural Implements	186.9	113.4	157.4	159.0	171.4
41.9	17.8	41.6	6	Amusements	53.2	39.9	53.1	51.1	53.2h
116.9	44.6	116.9	14	Automobile Accessories	142.2	116.8	135.1	135.6	136.7
17.7	8.8	17.7	13	Automobiles	24.2	17.7	22.0	22.3	23.5
108.2	41.3	108.2	7	Aviation (1927 Cl.—100)	141.0	104.3	131.2	127.8	128.9
14.7	7.9	14.7	3	Baking (1926 Cl.—100)	17.9	12.6	16.7	17.9h	17.9
325.0	184.9	318.6	2	Bot. & Cks. ('32 Cl.–100)	458.2	318.6	450.6	447.7	458.2H
209.9	113.7	209.9	3	Business Machines	251.0	202.8	226.1	222.9	234.7
316.6	226.1	287.4	2	Cans	287.4	243.1	252.3	250.2	250.0
202.7	144.6	195.6	8	Chemicals	224.1	187.5	212.6	211.8	217.5
42.8	22.6	42.8	10	Construction	62.9	42.8	60.1	59.5	60.2
88.6	35.7	87.9	6	Copper & Brass	129.9	87.9	129.9H	125.6	129.1
39.3	27.5	39.3	2	Dairy Products	47.8	39.3	45.1	44.3	42.7
26.6	16.0	23.5	9	Department Stores	33.9	23.3	32.0	32.4	33.9H
87.6	56.1	85.8	7	Drugs & Toilet Articles	98.9	72.8	84.8	85.2	87.4
270.0	211.2	231.8	2	Finance Companies	415.3	227.2	386.1	388.6	415.3H
66.2	51.8	62.0	7	Food Brands	70.1	60.9	62.6	62.7	62.8
56.4	46.2	47.1	4	Food Stores	50.3	41.4	43.4	43.6	43.3
65.7	32.1	65.7	3	Furniture & Floor Cover.	92.8	65.7	86.2	85.3	92.8H
1209.7	990.2	1116.0	3	Gold Mining	1296.9	1116.0	1285.6	1286.8	1276.7
46.8	35.3	46.8	5	Household Equipment	54.4	46.5	52.3	50.7	50.0
38.7	17.0	38.3	5	Investment Trusts	46.4	36.6	43.3	44.1	46.4H
359.0	223.6	323.8	2	Liquor (1932 Cl.—100)	333.8	265.2	308.0	314.7	317.3
139.0	65.1	139.0	9	Machinery	165.1	134.7	160.7	158.6	165.1H
67.3	36.0	65.9	2	Mail Order	88.0	61.3	86.2	84.9	88.0H
63.0	34.5	62.4	4	Meat Packing	83.9	59.4	65.7	65.4	71.8
183.6	109.4	169.5	10	Metal Mining & Smelting	189.4	159.5	186.7	184.5	188.4
97.2	51.3	97.2	24	Petroleum	123.2	91.2	108.3	110.0	112.7
67.2	23.0	67.2	18	Public Utilities	91.2	67.2	80.2	78.6	81.6
33.0	15.9	31.5	3	Radio (1927—100)	35.4	26.7	28.1	27.5	29.1
55.7	29.3	55.7	8	Railroad Equipment	78.1	52.5	73.2	74.2	78.1H
28.8	16.5	27.3	24	Railroads	38.0	27.3	37.3	36.9	38.0h
16.8	5.2	16.1	3	Realty	22.9	13.4	14.5	13.7	15.1
76.4	28.5	76.4	3	Shipbuilding	87.6	62.7	83.8	78.7	80.6
88.1	37.6	88.1	11	Steel & Iron	116.1	85.2	109.3	111.1	116.1H
30.4	21.1	30.4	5	Sugar	45.3	29.8	38.8	36.3	37.4
153.6	122.5	153.6	2	Sulphur	175.6	142.5	150.7	142.5x	150.3
78.3	34.2	77.5	3	Telephone & Telegraph	97.4	76.6	84.2	82.8	85.9
73.5	34.7	70.5	8	Textiles	81.4	62.0	69.7	67.8	71.3
10.6	6.0	10.6	4	Tires & Rubber	16.1	10.6	14.8	15.2	16.1H
101.8	77.2	96.5	4	Tobacco	100.2	87.2	93.9	93.6	94.1
85.4	51.0	72.1	4	Traction	76.2	61.0	70.0	68.6	69.3
282.8	219.7	259.5	4	Variety Stores	297.9	232.5	297.9	292.9	295.5

H—New HIGH record since 1931. h—New HIGH this year. x—New LOW this year.

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AMERICAN LOCOMOTIVE CO.

Recent reports indicate a large gain in orders for American Locomotive and I understand the company may show a profit for the first time since 1930. In view of this, do you recommend retention of my stock for appreciation? Is this company in a good position to get its share of the new business that will be created by increased rail traffic?—E. A. F., Milwaukee, Wis.

Report of American Locomotive Co. for the first six months of 1936 showed a loss of $175,626, or considerably less than that of $772,225 incurred in the like interval a year earlier. With unfilled orders on the company's books as of July 1 the highest since 1930, amounting to $8,920,005, against $4,262,937 at the last year-end, it certainly stems a logical expectation that the company will emerge from the "red" in the not distant future. The drought, with its consequent effects on traffic volume of certain roads, has unquestionably tended to retard the placement of orders for new locomotives, but this should prove a temporary situation in view of the larger volume of traffic being handled by the majority of the carriers and their recognized need for up-to-date equipment. Not only may American Locomotive look forward with reasonable certainty to a great expansion in its locomotive business over the next few years, but the company's other interests, such as oil refinery equipment and the manufacture of Diesel motors, should tend to swell earning power. Notwithstanding the heavy operating losses which American Locomotive Co. has been absorbing for the past several years, the company's balance sheet position remains highly satisfactory. As of June 30, 1936, current assets totalled $14,203,944, including cash and marketable securities of $5,369,574, against current liabilities of only $1,715,721. Accrued dividends on the preferred stock are substantial, amounting to $26.25 a share on the 351,961 shares outstanding at the mid-year, but given a return of more normal conditions in the trade, this should present no great problem. On the basis of the improving trend of railroad revenues and the consequent growing backlog of potential equipment orders, we believe that American Locomotive common holds promising speculative possibilities if the holder is willing to exercise a reasonable degree of patience.

STUDEBAKER CORP.

In view of the strides Studebaker has made during the last year do you look forward to greatly-increased sales in 1937? I now have a paper profit of 6 points in this stock and am inclined to hold it for higher prices. What do you advise?—E. J. G., Lynchburg, Va.

That Studebaker's reorganization early in 1935 with the resultant improvement of capital structure and manufacturing program has proven successful thus far, is amply attested by recent sales and earnings figures. In the first six months of the current year, the company showed a net profit of $1,004,830, equivalent to 46 cents a share on the common stock, whereas during the period from March 9, 1935 (date of reorganization), through the balance of the year, a loss of $1,975,622 was reported. Unit sales of passenger cars and trucks thus far this year have already exceeded by a good margin sales for the full year 1935. For the first ten days of September alone, the sales figures totalled 3,178 units, against 876 for the preceding comparable interval. Studebaker began work on its 1937 models early, with the result that the line has already been introduced to the public, with factory output now at peak levels. This new line of passenger cars combines exceptional appearance with comfort and economy and should find wide public appeal, in our judgment. Third quarter operations of the company probably were not profitable since the model change-over and the resultant plant shut-down occurred during that period. The early introduction of its new lines, however, gives Studebaker a decided competitive advantage and indications are that the year as a whole will be a profitable one. Looking further into the future, Studebaker's ability to extend sales will depend upon general conditions in the industry and the continued ability of the management to successfully cope

(*Please turn to page 802*)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

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These $25\frac{7}{8}$ points profit were made available on 3 short-term market commitments through our Trading Advices. Even on a 10 share basis, your net cash profits would have been over $225. Trading Advices represent only one of our three active departments. The other two include: (1) Bargain Indicator — dividend-paying common stocks of investment rating with exceptional price enhancement possibilities and (2) Unusual Opportunities—sound low and moderate priced common stocks offering maximum market profit with minimum outlay.

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MR A G MILLER
937 NORTH RAMPART BLVD
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TRADING ADVICES CLOSE OUT AT MARKET DOUGLAS AIRCRAFT

BUY SOUTHERN PACIFIC UNDER THIRTY NINE

INVESTMENT BUSINESS FORECAST

937 NORTH RAMPART BLVD — 940AM AUGUST 13 1936
LOSANGELES CALIF

TRADING ADVICES CLOSE OUT SOUTHERN PACIFIC BUY BETHLEHEM STEEL BOTH AT MARKET

INVESTMENT BUSINESS FORECAST

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150PM SEPTEMBER 14 1936

LOSANGELES CALIF

TRADING ADVICES CLOSE OUT AT MARKET BETHLEHEM STEEL

INVESTMENT BUSINESS FORECAST

14 1/2 Points Profit

Douglas Aircraft was carried only 17 days and brought $14\frac{1}{2}$ points profit. ● The FORECAST is the lowest priced security advisory service to provide such comprehensive telegraphic counsel. Clients throughout the country can act on our short-term advices within an hour after they are selected. All wires are sent in our Private Code for secrecy and economy.

4 5/8 Points Profit

Southern Pacific was bought at an average of $38\frac{1}{8}$ and closed out at $42\frac{3}{4}$. Now, seven weeks later, it is only slightly higher. ● We advise you *what* and *when to buy* and *when to sell* . . . and keep all commitments under our constant supervision.

6 3/4 Points Profit

Bethlehem Steel was closed out at $69\frac{1}{4}$ on September 14th because of technical weakness of the market. During the same week it receded to 67. ● Regardless of telegrams you will receive our entire service by mail—through our 8-page bulletin mailed every Tuesday and through special editions which confirm all wires.

Your Enrollment Will Start at Once But Date from November 15, 1936

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ADDRESS ....

CITY .... STATE .... Oct. 10

Include a Complete List of Your Present Securities for Our Analyses and Recommendations

New York Stock Exchange

Rails

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 9/30/36	Div'd $ Per Share
A								
Atchison	74¾	45¼	60	35¾	88½	59	78½	‡2
Atlantic Coast Line	54¼	24½	37¼	19½	43⅜	21⅝	41½	..
B								
Baltimore & Ohio	34½	12¾	18	7½	26⅜	15⅞	24⅛	..
Bangor & Aroostook	46⅛	35½	49½	36⅛	49½	41⅞	44¾	2.50
Brooklyn-Manhattan Transit	44⅞	28¼	46¾	36½	58¼	40¼	56¼	3.25
C								
Canadian Pacific	18¼	10⅞	13¾	8⅝	16	10⅞	12⅛	..
Chesapeake & Ohio	48⅝	39½	53¼	37⅛	69⅜	51	67¼	2.80
C. M. & St. Paul & Pacific	8½	2	3	¼	2⅞	1½	1¾	..
Chicago & Northwestern	15	3½	5⅝	1⅜	4⅞	2½	3⅜	..
Chicago, Rock Is. & Pacific	6¼	1⅜	2⅝	¾	3	1½	2¼	..
D								
Delaware & Hudson	73½	35	43½	23½	52	36¾	45¾	..
Delaware, Lack & West	33¾	14	19⅛	11	23⅛	14⅞	19⅜	..
E								
Erie R. R.	24⅞	9⅜	14	7⅛	18¼	11	16⅝	..
G								
Great Northern Pfd	32½	12¼	35⅛	9⅝	44	32¼	39¾	..
H								
Hudson & Manhattan	12⅛	4	5½	2¾	5⅞	3⅛	3⅞	..
I								
Illinois Central	38⅞	13⅝	22¼	9½	29¼	18⅝	26½	..
Interborough Rapid Transit	17½	5¼	23⅝	8¾	18⅞	11½	13¾	..
K								
Kansas City Southern	19¾	6⅝	14½	3¾	26	13	22	..
L								
Lehigh Valley	21¼	9½	11½	5	20¼	8½	18⅞	..
Louisville & Nashville	62½	37¾	64¾	34	96¾	57½	94	‡4.50
M								
Mo., Kansas & Texas	14⅞	4⅜	6⅜	2½	9⅝	5½	8⅛	..
Missouri Pacific	6	1½	3	1	4	2⅛	2¾	..
N								
New York Central	45¼	18⅜	29¾	12¼	46½	27¾	44⅞	..
N. Y., Chic. & St. Louis	26⅞	9	19	6	53	17¾	52	..
N. Y., N. H. & Hartford	24⅛	6	8½	2⅝	5⅝	3	3⅞	..
N. Y., Ontario & Western	11⅝	4½	6½	2⅝	7½	4	5¼	..
Norfolk & Western	187	161	218	158	300	210	284	*8
Northern Pacific	36¼	14½	25¼	13⅛	36¾	23⅞	27¼	..
P								
Pennsylvania	39⅛	20⅛	32½	17¼	40¼	28¼	38½	‡1
Pere Marquette	38	12	34½	9¼	46½	25⅛	41	..
Pittsburgh & W. Va	27	10	25	6⅞	41¼	21	37¼	..
R								
Reading	56⅜	35⅛	43⅛	29⅞	50	35½	49	
S								
St. Louis-San Fran	4⅝	1⅛	2	¾	3⅝	1½	2⅜	..
St. Louis-Southwestern	20	8	14	7¾	14	7⅞	11½	..
Southern Pacific	33¾	14⅞	25½	12¾	45¼	23½	43	..
Southern Railway	36½	11½	16½	5½	24	12¾	22⅛	..
T								
Texas & Pacific	43¼	13½	28½	14	49	28	42	..
U								
Union Pacific	133⅞	90	111½	82½	149¾	108½	136½	6
W								
Western Maryland	17¼	7⅛	10⅛	5½	12⅛	8⅛	10⅛	..
Western Pacific	8½	2⅝	3⅜	1⅛	4	2	2⅛	..

Industrials and Miscellaneous

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 9/30/36	Div'd $ Per Share
A								
Adams-Millis	34⅞	16	37¼	38	35¾	17⅞	24⅜	‡.75
Air Reduction	113	91¾	173	104¾	81¾	58	74½	*1
Alaska Juneau	23⅞	16⅝	20⅛	13¼	17½	13	16¾	*.60
Allegheny Steel	23⅛	15	32	21	39¼	26⅞	37⅝	*1
Allied Chemical & Dye	160¾	115⅛	173	125	245	157	224	6
Allis Chalmers Mfg	23⅜	10⅜	33⅞	12	59⅜	35⅜	57⅛	1.50
Alpha Portland Cement	20⅛	11½	22¾	14	28½	19¾	24⅛	1
Amerada	55⅝	39	80	48½	125½	75	97¼	2
Amer. Agric. Chemical (Del.)	48	25¼	57¾	41½	63¼	49	60½	3
American Bank Note	25¼	11½	47¾	13½	55½	37	41¼	1
Amer. Brake Shoe & Fdy	38	19½	42½	21	64½	40	59½	1.60
American Can	114¾	90¼	149⅝	110	137½	115¾	124½	*4
Amer. Car & Fdy	33⅞	12	33⅞	10	51¾	30	49⅝	..
American Chicle	70⅝	46¼	96	66	105½	87⅝	105½	4
American & Foreign Power	13¾	3⅞	9¼	2	9¾	6½	7½	..
Amer. Power & Light	12¼	3	9⅝	1½	14⅜	7½	12¼	..
Amer. Radiator & S. S	17⅝	10	25⅛	10½	27⅜	18¾	21⅞	‡.15
Amer. Rolling Mill	28¼	13½	32⅜	15¾	34	23¾	28¾	1.20
Amer. Smelting & Refining	51¼	30¼	64⅝	31⅝	91½	56¾	80	2
Amer. Steel Foundries	26½	10⅛	25¼	12	44⅞	20½	42¾	..
Amer. Sugar Refining	72	46	70½	50⅛	63⅝	48¼	55⅛	2
Amer. Tel. & Tel	125¼	100⅛	160½	98⅞	179⅞	149½	172	9
Amer. Tob. B	89	67	107	74¾	104	88½	100¾	5
Amer. Water Works & Elec	27⅝	12⅝	22¾	7⅛	27	19⅛	25¼	‡20
Amer. Woolen Pfd	83¾	36	68¾	35½	70¾	52¾	53⅞	3
Anaconda Copper Mining	17¾	10	30	8	125½	75	97¼	2
Armour Co. of Ill	6¾	3½	6⅛	3¼	7⅜	4⅝	5⅜	..
Atlantic Refining	35¼	21½	28	20½	35⅛	26⅝	27⅛	1
Auburn Auto	57⅜	16½	45½	15	54¼	26⅝	35½	..
Aviation Corp. Del	10¾	3¾	5¼	2¾	7¾	4⅝	5	..
B								
Baldwin Loco. Works	16	4½	6⅝	1½	6⅞	2½	3¾	..
Bayuk Cigar	45¾	23	66¾	37½	19⅝	16¾	17¾	.75
Beatrice Creamery	19¾	10¼	20⅛	14	26	18	23¼	1
Beech-Nut Packing	76⅝	58	95	72	97	85	94⅛	*3

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1934 High	1934 Low	1935 High	1935 Low	1936 High	1936 Low	Last Sale 9/30/36	Div'd $ Per Share
B								
Bendix Aviation	23⅞	9¾	24½	11⅞	31¾	21⅝	29⅝	‡1
Best & Co.	40	26	57½	34	62	48	58	*2
Bethlehem Steel	49½	24⅛	52	21⅝	72¼	45¾	68⅜	..
Bohn Aluminum	68¾	44½	59⅞	39⅝	63⅛	41	44¼	3
Borden Company	28¼	19⅞	27¾	21	32⅜	25⅝	28⅛	1.60
Borg Warner	31⅜	16⅛	70½	28¼	83½	64	78½	13
Briggs Mfg	28⅜	12	55⅜	24½	64⅞	43¼	58⅜	*2
Bristol-Meyers	37½	26	42	30⅜	50½	41	44⅛	*2
Burroughs Adding Machine	19⅜	10½	28	13¼	33¼	25	29⅝	*.60
Byers & Co. (A. M.)	32¾	13¾	20⅝	11⅜	25⅜	16½	23	..
C								
California Packing	44⅜	18¾	42½	30½	43¾	30¼	38	1.50
Canada Dry Ginger Ale	29½	12½	17⅝	8⅛	18⅜	10⅜	17⅛	..
Case, J. L	86¾	35	111¼	45¾	186	92½	155½	..
Caterpillar Tractor	38¾	23	60	36½	81½	54¾	80½	2
Celanese Corp	44⅞	17⅛	35⅜	19½	32¼	21¾	25¾	‡.50
Cerro de Pasco Copper	44½	30¼	65¾	38⅝	58	47¾	52½	4
Chesapeake Corp	48⅞	34	61¼	36	86	59	83	3
Chrysler Corp	60⅜	29¼	93⅞	31	124⅝	85½	121¼	‡6.50
Coca-Cola Co	161½	95¼	93	72½	125	84	120	2
Colgate-Palmolive-Peet	18⅛	9⅜	21	15⅛	20½	13	15¼	.50
Columbian Carbon	77¼	58	101¼	67	136½	94	124½	*4
Colum. Gas & Elec	19¼	6⅝	15¾	3⅜	23⅜	14	19⅞	‡.20
Commercial Credit	40¼	18⅝	58	39½	84⅞	44	84⅜	*4
Comm. Inv. Trust	61	35¾	72	56¼	83	55	81½	4
Commercial Solvents	36¾	15¾	23⅞	16½	24⅝	14¼	15½	.60
Congoleum-Nairn	35⅜	22	27	45¾	44½	30⅞	33⅛	1.60
Consolidated Edison of N. Y.	47⅜	18½	34¾	15⅞	44¾	27¼	42¾	2
Consol. Oil	14¼	7¼	12¼	6½	15¼	11½	13⅜	*.60
Container Corp. "A"	....	....	23⅛	22	26¼	15¾	19¾	1
Continental Can	64½	56¾	99¼	62¾	87¼	67½	70⅝	3
Continental Insurance	36¼	23⅜	44⅞	28⅞	46	35½	37¾	*1.20
Continental Oil	22¾	15¾	35	15⅛	38½	28½	32¼	*1
Corn Products Refining	84½	55½	78⅜	60	82½	63⅝	69½	3
Crown Cork & Seal	36¼	18¾	48⅞	23½	84¾	43⅝	79⅛	2
Cudahy Packing	52⅝	37	47½	35⅛	44½	35½	36½	2.50
Cutler-Hammer	21½	11	47	16	65½	43¼	64¼	*1
D								
Deere & Co.	34⅛	10⅛	58¾	22¾	89¼	52	81	..
Diamond Match	28½	21	41	26½	40½	32½	32½	*1.50
Distillers Corp. Seagrams	26⅝	8⅞	38½	13⅝	34⅝	18¼	24¼	..
Dome Mines	46¼	32	44⅞	34⅛	61½	41½	56¼	*2
Douglas Aircraft	28½	14¼	58⅜	17½	80⅝	50⅝	76⅜	..
Du Pont de Nemours	103⅞	80	146½	86⅝	167¾	133	161⅞	*3.60
E								
Eastman Kodak	116½	79	172¼	110½	185	156	169¼	*5
Electric Auto Lite	31⅜	15	38⅜	19⅜	45¾	30¾	43¾	‡2
Elec. Power & Light	9⅝	2¼	7½	1⅛	17¾	6⅜	15	..
Electric Storage Battery	52	34	58¾	39	55¼	42⅜	46	*2
F								
Fairbanks, Morse	18¾	7	39½	17	62½	34¾	62½	1*
Firestone Tire & Rubber	25¼	13⅛	25½	13⅛	33⅛	24⅞	29¼	‡.90
First National Stores	69¼	53	58⅞	44⅜	48¾	40	47	2.50
Foster Wheeler	22	8½	30	9⅞	38¾	24⅛	33¾	..
Freeport Texas	50⅜	21½	30⅝	17¼	35⅝	23½	25	1
G								
General Amer. Transpt.	43⅝	30	48½	32⅝	63	42¼	58¾	1.75
General Baking	14⅜	6½	13⅜	7⅜	15	10¾	14⅛	*.60
General Electric	25¼	16⅞	40⅞	20½	48⅜	34½	45	1
General Foods	36⅞	28	37½	30	43⅛	33⅜	40	1.80
General Mills	64½	51	72½	59⅞	70½	58	61½	3
General Motors	42	24⅝	59⅜	26⅝	72⅜	53⅞	69	*2
General Railway Signal	45¾	23½	41¼	15⅝	50	32½	44	1
General Refractories	23⅜	10⅛	33½	16¾	50¾	33¼	50	‡1.50
Gillette Safety Razor	14⅞	8½	19½	12	18⅝	13⅝	14⅛	1
Glidden	28⅜	15⅝	49½	23⅜	55¼	39¾	43	2
Gold Dust	23	16	22	14⅜	21⅜	12⅝	13⅞	.60
Goodrich Co. (B. F.)	18	8	14½	7½	25⅛	13⅝	21⅞	..
Goodyear Tire & Rubber	41⅜	18½	26⅞	15¾	31⅞	21⅝	23½	..
Great Western Sugar	35¼	25	34⅞	26⅝	39	31	35½	2.40
H								
Hercules Power	81⅝	59	90	71	116	84	113¾	5
Hershey Chocolate	73¾	48½	81¾	73¼	80	58⅞	60½	3
Hudson Motor Car	24½	6⅛	17½	6¼	19¾	13½	18¼	..
Hupp Motor Car	7¼	1⅞	3⅞	¾	3¼	1	2	..
I								
Industrial Rayon	32¼	19⅜	36⅜	23½	36	25⅝	33⅞	1.68
Inter. Cement	37¾	18⅜	36⅞	22⅞	56¾	35½	54¾	2
Inter. Harvester	46⅞	23¼	65⅝	34⅛	90½	56⅝	83⅝	2.50
Inter. Nickel	29¼	21	47¼	22¼	62⅜	43¼	61⅛	1.40
Inter. Tel. & Tel	17¾	7½	14	5⅝	19¼	11⅛	13	..
J								
Jewel Tea Co	57½	33	67	49	88	58½	88	*4
Johns-Manville	66⅜	39	99½	38½	129	88	116¼	*2
K								
Kelvinator	21¼	11⅝	18¼	10¼	25⅝	14¾	19⅜	*.50
Kennecott Copper	23⅛	16	30⅜	13¾	49¾	28¼	48¼	1.20
Kroger Grocery & Baking	33⅝	23¼	32⅛	22¼	28	19⅜	20¾	1.60
L								
Lambert	31¾	22¼	28½	21¾	26¾	15⅞	17⅛	2
Libbey-Owens-Ford	43⅞	22½	49¼	21½	71	47¼	67⅛	‡2.25
Liggett & Myers Tob. B	111¼	74½	120	94¼	115	97	102½	*4
Loew's	37	20⅜	55⅛	31¼	62⅞	43	57½	*2
Loose-Wiles Biscuit	44¾	33¼	41⅝	33	45	40	40	2
Lorillard	22½	15¾	26½	18½	26½	21⅛	22¾	1.20
M								
Mack Truck	41¾	22	30⅝	18⅝	42⅞	27⅜	42⅜	1
Macy (R. H.)	62⅛	35¼	57½	30½	52⅞	40⅛	48¼	2
Mathieson Alkali	40¾	23½	33⅞	23¾	37½	27½	35¾	1.50
May Dept. Stores	45¾	30	57¾	35⅞	60	43¼	59	2

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1934		1935		1936		Last Sale 9/30/36	Div'd $ Per Share
	High	Low	High	Low	High	Low		
M								
McIntyre, Porcupine	50½	30½	45⅝	33¾	49⅜	39½	40	2
McKeesport Tin Plate	95⅛	79	131	90½	118½	85	90⅛	*4
Mesta Machine	34¾	20⅛	42⅝	24⅛	64¼	40⅝	59½	‡3.25
Monsanto Chemical	96½	39	94¾	55	103	79	99	*1
Mont. Ward & Co	35⅝	20	40⅞	21¾	50⅞	35¾	48½	.80
N								
Nash Motor	32¼	12⅝	19½	11	21⅞	15	19⅛	1
National Biscuit	49½	25⅞	36⅜	22¼	38¾	30½	30½	1.60
National Cash Register	23⅝	12	23½	13½	30	21½	25	.50
National Dairy Prod	18¾	13	22⅛	12⅞	28¼	21	24⅞	1.20
National Distillers	31⅝	16	34½	23⅛	33⅜	25⅝	30	2
National Lead	....	....	....	....	31⅜	26⅜	27⅝	*.50
National Power & Light	15½	6⅝	14¾	4⅞	14⅞	9⅝	12¼	.60
National Steel	58¼	34½	83¾	40⅜	75	57¼	70½	1.50
N. Y. Air Brake	28¾	11½	36½	18½	64½	32½	64¼	‡.50
North American	25¼	10¼	28	9	35½	23⅛	31½	1
O								
Otis Elevator	19⅜	12½	26⅝	11⅛	32¾	24¼	27¼	.60
Owens Ill. Glass	94	60	129	80	164	128	140	5
P								
Pacific Gas & Electric	23½	12⅜	31⅝	13⅛	41	30¾	36½	1.50
Pacific Lighting	37	20¾	56	19	58¾	47⅝	53½	*2.40
Packard Motor Car	6⅝	2¾	7½	3½	13⅛	6⅞	12⅛	‡.25
Paramount Pictures	....	....	12	8	13¼	7⅛	12¾	..
Penney (J. C.)	74¼	51½	84¾	57¼	93	69	91	‡2.50
Penick & Ford	67	44⅝	81	64½	73	60	62½	3
Phelps Dodge	18⅞	13¼	28⅛	12¾	40¼	25⅝	38⅝	‡.75
Phillips Petroleum	20¾	13⅜	40	13¾	49⅜	38⅛	41⅛	*1
Pillsbury Flour Mills	34¾	18½	38	31	37¼	30	30	1.60
Procter & Gamble	44⅜	33⅛	53¾	42⅜	49	40¼	45¾	*1.50
Public Service of N. J	45	25	46¾	20⅜	49¼	39	46	2.40
Pullman	59⅜	35¼	52⅞	29½	62⅞	36⅞	61¾	1.50
R								
Radio Corp. of America	9⅛	4½	13⅜	4	14¼	9¾	10¼	..
Radio-Keith-Orpheum	4¼	1½	6	1¼	9¼	5	7⅛	..
Raybestos-Manhattan	23	14½	30¼	16½	38¼	28⅞	35	1.50
Remington Rand	13⅜	6	20¾	7	23¾	17½	18⅜	*.60
Republic Steel	25¾	10½	20¾	9	26¾	16⅞	23	..
Reynolds (R. J.) Tob. Cl. B	53¾	39¾	67	55¼	58⅝	50	56	3
S								
Safeway Stores	57	38¼	46	31⅝	35½	27	30⅛	2
Schenley Distillers	38⅞	17⅛	56¼	22	52	37¾	49¼	3
Sears, Roebuck	51¼	31	69⅞	31	89¼	59⅝	86⅞	2
Servel	9	4⅜	17	7⅝	27⅛	15⅝	26¼	.60
Shattuck (F. G.)	13⅞	6¾	12⅞	7¼	17¼	11⅛	16¾	.50
Shell Union Oil	11½	6	16½	5½	24⅛	14¾	24	..
Socony-Vacuum Corp	19⅞	12½	15¾	10⅝	17	12½	13½	.50
So. Cal. Edison	22⅛	10⅛	27	10⅝	32½	25	31¾	1.50
Spiegel May Stern	76¾	64	84	43⅞	89¼	63	84¼	3
Standard Brands	25¼	17¼	19⅛	12½	18	14⅜	15¼	.80
Standard Oil of Calif	42⅞	26½	41⅛	27¾	47⅝	35	36	*1
Standard Oil of Ind	32¾	23¼	33⅜	23	40⅛	32¾	37¾	*1
Standard Oil of N. J	50⅛	39¼	52⅜	35¾	70	51⅛	60⅜	*1
Sterling Products	66½	47¼	68	58¾	74	65	71½	3.80
Stewart-Warner	10⅝	4½	18⅞	6⅝	24½	16½	20¼	*.50
Stone & Webster	13¼	3⅞	15⅛	2½	21¾	14⅝	18¾	..
Sun Oil	74½	51½	77	60½	91	72	76⅞	*1
T								
Texas Corp	29⅜	19⅝	30¼	16½	40	28⅞	36¾	*1
Texas Gulf Sulphur	43¼	30	36¾	28¾	39⅛	33	35¼	2
Tide Water Assoc. Oil	14⅜	8	15⅞	7⅝	19⅛	14¾	18¼	.60
Timken Roller Bearing	41	24	72½	28⅜	72½	56	64	*2
Tri-Continental	6¾	3	8¼	1⅞	12	7⅛	9⅝	‡.25
Twentieth Century-Fox	....	....	24⅞	13	32⅜	22⅛	30¾	‡1
U								
Underwood-Elliott-Fisher	58⅞	36	87¼	53¾	99	74⅝	81½	3
Union Carbide & Carbon	50⅞	35⅞	75¾	44	100	71⅝	97	2.80
Union Oil of Cal	20½	11½	24	14¾	28½	20¾	21⅞	1
United Aircraft	15¼	8⅛	30⅜	9⅞	32⅜	20⅝	24½	..
United Carbon	50⅜	35	78	46	89¼	68	88	3
United Corp	8⅞	2⅛	7¾	1½	9¼	5⅜	7½	..
United Corp. Pfd	37⅞	21¼	45¾	20¾	48⅞	40¼	46⅛	3
United Fruit	77	59	92¾	60½	85⅛	66½	75⅛	3
United Gas Imp	20⅛	11½	18½	9¼	19½	14⅜	15½	1
U. S. Gypsum	51¼	34¼	87	40½	101½	80½	99½	2
U. S. Industrial Alcohol	64¾	32	50⅝	35⅛	59	31¼	34⅛	..
U. S. Pipe & Fdy	33	15½	22⅝	14¾	56	21½	50	1.50
U. S. Rubber	24	11	17¼	9⅛	35	16⅜	34½	..
U. S. Smelting, Ref. & Mining	141	96⅝	124½	91¾	96½	72¼	84	‡10
U. S. Steel	59⅞	29⅜	50⅝	27½	73⅛	46⅜	70	..
U. S. Steel Pfd	99½	67¼	119¼	73⅝	140¾	115½	139	4
V								
Vanadium	31¾	14	21¾	11¼	27¼	16¼	23½	..
W								
Warner Brothers Pictures	8¼	2¾	10¾	2¼	14⅝	9¼	13¼	..
Western Union Tel	66⅞	29½	77¼	20⅝	95	72½	86⅜	‡2
Westinghouse Air Brake	36	15⅞	35¾	18	48⅛	34¾	43⅜	1
Westinghouse Elec. & Mfg	47¼	27⅞	98¾	32⅝	147	94½	140¾	4
Woolworth	55¼	41¼	65¼	51	56⅜	44¾	53½	2.40
Worthington Pump & Mach	31⅞	13½	25¼	11¾	35½	23⅛	28½	..
Wrigley (Wm., Jr.)	76	54½	82¾	73¾	79	63	66¼	*3

* Annual Rate—not including extras. † Paid last year. ‡ Paid this year

Understanding Today's Market Fluctuations

(*Continued from page 777*)

the use of a chart as an aid to speculation is in the case of Douglas Aircraft. There is presented with this article a graph showing the price and volume movements of this speculative security daily for the year 1936 to date. In the early part of the period charted, the stock experienced a sharp run-up from the 55 level to over 75, and then fluctuated just below this price until the general April decline set in. Douglas, of course, being a popular trading medium, was to be found in a large proportion of margined accounts and, therefore, was fully subject to the factors that helped bring about the April slump in the more speculative list; that is, increased margin requirements, and the rules of the S E C which resulted in "restricted" stock brokerage accounts. During the month of May and the greater part of June, however, turnover in the stock was greatly curtailed and the price crept slowly upward. Evidently there was no stock pressing for sale at these prices. Meanwhile, earnings of the company had not been particularly impressive, but the long-term outlook was most promising in the opinion of aviation enthusiasts. Plant was being expanded rapidly and the company's orders for both commercial and military planes had mounted substantially. But part of the necessary financing for expansion was carried out by sale of new stock to stockholders. Optimism over the outlook for the company, and the strong technical position of the stock in the market, finally resulted in another fast run-up in the stock in the latter part of June and in July, after which a normal technical correction occurred marking the price down to about 69 by the middle of August.

The technical action of Douglas Aircraft from the middle of August to September 15, 1936, was highly significant in its implications as to the state of supply and demand in the stock. Prices traced a series of fluctuations that clearly established a resistance level in the neighborhood of 75. Meanwhile, successive low points gradually worked higher and higher (indicated on our chart by 1, 2, 3, 4, and 5). Here was a rather definite indication in the market action that the stock was under accumulation, and that, sooner or later, the technical position would reach the point where a breaking through of the resistance level of 75 might be expected. Such an occurrence, after what had gone on

before, would be a technical signal of great near-term significance. On Wednesday, September 16, the stock rose quickly and decisively through this resistance level on substantially higher volume, and since that time has been a market leader at new all-time high prices.

Here was a case where company and industry developments were not so clearly indicative of near-term gains as to make it everywhere apparent that the stock was cheap on its merits and should sell higher. But to almost everyone schooled in the art of interpreting market action, to those who had acquired the "feel" of the market, the technical action of Douglas Aircraft was extremely promising (regardless of consideration of outside factors which appeared to be of inconclusive character), and a profitable commitment could have been intelligently made on the basis of technical action alone.

Consumer Co-operatives Are Growing

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ment is the Consumer Distribution Corporation, founded by Edward A. Filene, the Boston merchant and philanthropist, which has as its objective the organization of a league of co-operative department stores. No such stores have yet been opened, but efforts are being made to interest consumers in several cities to subscribe to $10 shares with which to buy an existing department store or start a new one. The plan is eventually to have all such stores buy through a mutual purchasing agency. The organization's board of directors includes some of the best known names in the co-operative movement, and Mr. Filene is said to have offered heavy financial support. This effort is significant but as yet is only potential rather than actual.

Interest in co-operation has also been stimulated by a number of Protestant churches who last year sponsored a lecture tour by Kagawa, the Japanese Christian and co-operative leader, but so far as is known the churches have confined their activities to educational work and have not actually established any co-operative stores. A great deal is being published about the virtues and future of consumer co-operation, and there is no doubt that interest is growing.

Strong in Wisconsin and Minnesota

The backbone of the movement is among the Finns in Wisconsin and Minnesota, where it has been operating for a generation or more. These people have a rather extensive system of general retail stores, chiefly in small towns and at crossroads, handling staples and medium and low-priced grades of many lines of consumer goods. They sell to anyone, and members are not pledged to support their stores. Each retailer is autonomous, but most of them belong to the Central Co-operative Wholesale of Superior, Wis., which has its own bakery and coffee roasting plant, puts out its own brand of cereals and some other products, and in 1935 did a wholesale business of more than $2,000,000.

In some of the smaller towns it is true that the Finnish co-ops have crowded out both chain and independent retailers, but on the other hand many co-ops have folded up and ceased operation. Persons who have visited the region say the co-ops are generally unattractive and that the managers are poor merchandisers. Local residents shop around among the co-ops and other retailers in an effort to get the best prices day by day. The strength of the movement is said to be the racial clannishness of the Finns, their poverty, their inheritance of European co-operative methods, and their distrust of businessmen of other nationalities. The Americanized generation of Finns is said to be apathetic toward the movement. In many places the co-op maintains a social hall and provides about the only recreational facilities in the community. The Finnish group of co-ops spends considerable funds for education, maintains summer camps for children, a school for store managers, broadcasts radio programs, and publishes papers in English and Finnish.

While this Finnish group of co-ops is the "Exhibit A" of the American co-operative movement, it is clear that much of the strength lies in other factors than the annual savings represented by patronage dividends. In many, though not all, of the other successful consumer co-ops in this country, the members have some common bond, such as race, employment, farming, religion, or low income. There are many exceptions, such as the co-op of the faculty members of the University of Wisconsin, but in general the families of medium incomes and above prefer to shop around for today's bargains and are not much interested in the possibilties of a cash patronage dividend at the end of the year.

The oil industry in the last few years has offered a fertile field for the consumer co-operative movement, chiefly because not much specialized merchandising skill is required, equipment is simple, and the retail sales margin is sufficient to permit worthwhile savings. There are successful retail oil co-ops in many cities, but the largest are those which make tank truck deliveries of kerosene and tractor fuel to farmers. Filling stations are usually unpretentious and located off the main traffic arteries. There are several oil co-operative wholesalers, some of them quite large, with their own blending plants and private brands. One of their selling points, as in other lines of co-operative distribution, is that buying is done on specification and members know exactly what quality they are getting without any advertising ballyhoo.

The consumer co-operative movement in this country is taking many forms. There are rural electrification societies, rural telephone lines, burial associations, lending libraries, power projects, feed, fertilizer, livestock breeding, seed, baby chick, dairy, insurance, coal, oil, bakery, restaurant, housing, hospital, and credit projects run co-operatively, in addition to grocery and general-merchandising stores. The development of credit unions is a story in itself. Many books and pamphlets have been written recently glorifying the success of various types of co-ops.

These writings relate some glowing "success stories" of how certain co-ops have started with a few dollars and developed into huge manufacturing and distributing enterprises, how they have bested their private competitors who fought them with price wars or shut off their sources of supply, how the movement is growing, growing, growing. It is very interesting reading, and if these success stories are typical the co-op movement is a real threat to private capital.

But the fact remains that to date the co-op movement as a whole is small, scattered, feeble, halting, however vigorous and aggressive certain units may be. Some authorities estimate that all types of merchandise consumer co-ops do a total business of about $1,000,000 per day. The American Retail Federation estimates that co-operative retailing in competition with private stores is less than one-half of one per cent of the country's total trade.

There are many difficulties in co-operation, admitted by its more analytical supporters. Chief is indifference of members. A small group where all members attend meetings and take an active interest in the business is generally successful. In larger co-ops only a few participate, and the business falls prey to factions, bureaucracy, nepotism, autocracy of managers, and all the evils of any large organization of humans. These evils increase as the movement branches out into whole-

saling and manufacturing; it tends to become unwieldy and slow of action, and in addition is subject to all the hazards and difficulties of ordinary business. Good men are hired away by private business. Much depends on the personalities of the executives.

Co-ops have competition among themselves, labor troubles, credit difficulties. Enthusiasts deplore, but soft-pedal, the failure of co-ops to co-operate among themselves. They seldom actually compete, but they overlap, setting up rival wholesale and manufacturing plants, where a single one might be more efficient. There are several national associations which attempt to allay these difficulties and promote the cause of consumer co-operation, such as the Co-operative League, founded in 1915, which gives an idea of the age of the co-op movement.

Is the co-op movement on the brink of great expansion, and can the federal government aid the movement? Though far from formidable, the co-ops are growing, and the rate of growth in the last few years is accelerating. In a few places and in a few lines of enterprise, particularly oil, co-ops have become serious competitors of private business, yet they have a long and difficult road to travel before they can begin to challenge the national business structure.

The government can aid, as it aided the farm marketing co-ops, by advice, education, propaganda, tax-exemption, and by financing with grants or credits. Thirty-two states have special laws for the incorporation of non-profit consumer co-operatives, and many give special tax treatment and assist in organizing and in maintaining good business methods. But all this is largely psychological aid; a co-op must deliver a really worth-while service in competition with private business if it is to succeed.

Leaders in the movement admit that the most important thing is the co-operative spirit, and it is a question whether such exists in the United States today among the population as a whole. Education may bring this about, but it is a slow process.

Another interesting thing is that consumer co-ops have been most successful when organized from the bottom up rather than from the top down; that outside assistance and ballyhoo has hindered them more than it has helped; that government interference is a hampering force; that availability of credit outside its own built-up reserves has frequently brought failure to a co-op venture.

From a short-time view it would appear that business as a whole has little to fear from the consumer co-operative, except in isolated cases where

special factors are conducive to co-operation. If co-operation is to become universal it will require at least a full generation of education and slow building.

We have consumer co-operatives in this country. We always have had some, always will. Other countries likewise. They may grow, perhaps rapidly, and the government may aid somewhat. They may cause some changes in business methods, prodding private business to try to give the consumer more for his dollar than the co-op offers. But the co-op is not much of an immediate threat to most lines of private enterprise.

Profit Possibilities in Speculative Bonds

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first mortgage 5½ per cent bonds of General Steel Castings are outstanding in the amount of $17,000,000 and are secured by a first mortgage on two of the company's important plants. Although clearly a second grade issue, present indications are that their position should become increasingly stronger. The liberal yield which the bonds offer should appeal to the investor in a position to acquire this type of security.

The spread of about 14 points between the high and low for International Tel. & Tel. 5's 1955 this year, reflects, on the one hand, the steady improvement in the company's earnings for more than two years and, on the other, the uncertainties aroused by the political violence in Spain. Granting, of course, that the destruction of property and equipment coupled with the threat of possible confiscation of all facilities within the Spanish borders, are not calculated to invoke equanimity, the actual effects upon International Tel. & Tel., as a whole, would probably be much less than suggested by the substantial decline which has taken place in the company's securities. The company's wide flung operations throughout the world have given it considerable experience in the matter of foreign politics and international exchange and revolutions and political upheavals are not new to the management. While not gainsaying the importance of the Spanish subsidiary, it is significant to note that the company's consolidated earnings from other subsidiaries last year would have been sufficient to cover fixed charges 1.25 times without the aid of any income from its Spanish properties. Therefore, while the implications of recent rebel victories in Spain are favorable to I.T.&T., regardless of the ultimate outcome, the company's losses should not be irreparable. Meanwhile operations, particularly in the equipment manufacturing division, in other countries continue to improve. The devaluation of gold bloc currencies may result in some temporary shrinkage of income, unless the company has hedged against this contingency, but in the long run stabilization of world currencies will work to the company's advantage, the assumption being that the withdrawal of foreign balances, long a problem to the company, will be greatly facilitated. Consolidated funded debt of I.T.&T., amounts to about $142,000,000, of which the issue in question is outstanding in the amount of $50,000,000 and ranks equally with the other two debenture issues. Bank loans at the end of last year amounted to some $27,000,000, including more than $23,000,000 borrowed by operating subsidiaries. Early this year, the company was contemplating the sale of $35,000,000 4½ per cent debentures for the purpose of funding bank loans and a portion of the 4½'s due in 1939, but the sale of new debentures has been deferred pending clarification of the outlook. Although an important factor in international communications, the company derives the major portion of its revenues from the sale of electrical communication equipment, demand for which should continue to expand with worldwide business recovery. The company's importance coupled with its favorable record under normal conditions, and the possibility that current uncertainties may prove largely unfounded and of comparatively short duration, lend considerable speculative attraction to the debenture 5's 1955.

As one of the foremost units in the anthracite coal industry, Lehigh Valley Coal has, of course, been subject to the same adverse conditions which have been a drag upon the entire coal industry. Competing fuels such as natural gas and oil have made consistent gains at the expense of anthracite. Recently, however, the industry has been putting forth more aggressive efforts to meet this competition, and some measure of the success of this campaign is afforded by the substantial upturn in the sale of automatic stokers. The total funded debt of Lehigh Valley Coal amounts to $16,185,500, of which the first and refunding 5's 1974 are outstanding in the amount of $3,000,000, while property has a depreciated value of nearly $25,000,000. There is also a collateral note for $2,400,000 outstanding. The life of the company's property has been estimated at more than 100 years and although the company is not one of the lower cost producers, charges normally are earned by a fair margin. In the first half of 1936, net profit after all charges, depreciation and depletion, amounted to $572,132, comparing with $475,575 in the same period of 1935. The company is now entering its season of greatest activity and evidence of further improvement in earnings would seem to warrant higher levels for the company's various bond issues.

Aviation Begins to Earn Money

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of American aviation. A great deal of this antipathy is inspired by aliens who want to break down the American industry and lead the Government to buy its aircraft from abroad. Some effort will be made to have all service aircraft built in Government plants, chiefly because that would retard if not ruin the industry and at the same time deprive the Government of needed equipment. Why should anybody want to do such a thing? To pave the way for future purchases of foreign equipment. European Governments having expanded their aircraft industries to maximum production could not complain if their nationals helped keep their plants at peak efficiency by selling obsolescent models to Americans. That trick has been tried at intervals and with variations ever since the armistice.

No attempt to harm the industry will succeed. Nearly every possible effort has been made during the last three years. Nearly all Democrats are familiar with the situation, and they will not permit destructive legislation. The Republicans will nourish the industry, because it was built up during Republican administrations. No matter how the political wind blows aircraft manufacturing should be relatively free from interference during the next decade.

Those on the inside, familiar with the management and plans for the immediate future as regards nearly all manufacturing organizations, might pick several companies as good bets, among them being Curtiss-Wright, United Aircraft, Boeing, Douglas, Lockheed, Waco, Consolidated and North American Aviation. In air transport United Air Lines, Transcontinental & Western Air, American Airlines and Eastern Air Lines (North American Aviation) possess fair prospects for the long pull. The business of building and operating flying machines will grow steadily from now on, and there should be no retrogression among well-managed companies. And they, after all, are the only companies that should survive the careful scrutiny of the investor.

Look to the Oils With Confidence

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words, and we believe accordingly that the actions of these companies are a far more reliable index of their belief in the future, than the numerous comments which are heard from time to time relative to the outlook for the industry, which are generally of a mixed nature. When the major organizations back the future with their own money, oil company stockholders may well adopt a cheerful attitude with reference to their security holdings.

Marketing Developments

One of the outstanding recent developments in the domestic oil industry has been the growing movement on the part of large integrated companies in readjusting their relationships with their marketing subsidiaries, a movement made necessary largely by state "chain store" tax legislation.

As this movement continues, it will take the large companies out of the marketing field and leave the field in the hands of independent service station operators. The major companies will then be forced to estimate their gasoline earnings on the basis of tankwagon deliveries, with the question of dealers' margins, as between tankwagon and retail quotations, largely out of their hands. This development will probably be welcomed by most of the leading marketing companies.

It is pointed out that irrespective of the legal ownership of the retail outlets, the same organizations will represent the chief source of gasoline supply as in the past. For this reason, no major upset in the marketing machinery of the oil industry is anticipated.

In connection with the gasoline situation, it appears that the current picture is not as satisfactory as could be desired. Wholesale prices in June of this year had reached the best levels since the depression, but still below what oil interests have considered "normal." Since June, however, there has been a slight shading of quotations both in the wholesale and retail markets. The situation is not believed to have reached the proportions of a definite trend, however, and many marketers believe the next move will be of a reassuring nature, basing this belief on what they regard as a relatively strong production situation. Stocks of both crude oil and gasoline are regarded as in exceptionally strong hands at the present time.

Oil company stockholders may look

to the future with the utmost confidence. Practically every important development in the situation points to this.

The year 1936 should prove more satisfactory than many imagine. While the final quarter will not be as good as the third, there is every indication that many stockholders will benefit by year-end dividend disbursements influenced partly by recent income tax legislation. Net earnings of a number of the leading oil companies are expected to warrant such disbursements, over and above regular dividend payments.

At least nothing in the present situation would appear to warrant a bearish attitude. Any unfavorable change which might unexpectedly materialize, would probably originate entirely outside of the oil industry, but the trend toward increasing employment of motor vehicles, airplanes, home oil burners and Diesel engine equipment throughout the world has gathered such great momentum during recent years of recovery as to seem unstoppable. Meanwhile, it seems a logical assumption that the millions of dollars pouring into the oil industry each day through cash sales of its hundreds of products, will ultimately place the industry as a whole in a position eminently satisfactory to oil company stockholders.

This is the Season for Liquors

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less than $7,000,000. Net profit last year declined about $4,000,000 to $7,009,238, equal to $3.44 a share for the 2,036,897 shares of capital stock. Thus far this year earnings have continued to lag behind, net for the first six months having been equal to $1.35 a share against $1.41 in the same period a year ago. Recently, the company reduced the prices of its two leading brands of bonded whisky 18 per cent. Apparently National Distillers plans to concentrate more and more on promoting the sale of bonded whisky, in which field the company will be represented by a number of old and well-known brands, and in the next and subsequent years sales and profits may make a more impressive showing. In the meantime, dividends of 50 cents quarterly are reasonably secure and the shares at 31 return a liberal yield.

Hiram Walker's Earnings Rise

The favorable implications to be drawn from the recently-announced intention of the company to retire $2,000,000 of 4¼ per cent debentures and a sustained upturn in current earnings account for the fact that the common shares of Hiram Walker-Gooderham & Worts are selling some 15 points above their 1936 low, and close to their high. The company's fiscal year ended August 31, last, and the complete report is not yet available. It is a safe assumption, however, that profits registered a substantial gain over last year. Net for the nine months to May 31, last, was equal to $5.02 a share on the 660,000 shares of common stock, or more than was earned in the entire 1935 fiscal year, when profits were equal to $4.10 a share. Dividends were initiated on the common earlier this year and have since been maintained at the rate of 50 cents quarterly. A higher dividend or a liberal extra is indicated, however not only by the current level of earnings, but the action in retiring a portion of the $8,000,000 debenture issue suggests that the company has more than sufficient working capital for its immediate needs. The company, a prominent Canadian enterprise, now has a producing capacity of about 30,000,000 gallons annually in the United States and is rated the largest producer of gin. Higher-priced brands of whisky, such as Canadian Club and Imperial, are among the largest sellers in their class. Ahead of the common are 460,818 shares of $1 preference stock.

Distillers-Seagrams Plans Enlargement

For the fiscal year ended July 31, Distillers Corp.-Seagrams reported earnings equal to $2.41 a share on the 1,742,645 shares of capital stock, comparing with $5.05 a share earned in the 1935 fiscal period. The slump in earnings during the past year in the face of an increase in gross sales from about $55,000,000 to $60,000,000 was due principally to rebates to dealers following the lowering of Canadian duties. Lower retail prices also cut into profit margins, and the company appears to have lost some of the strong competitive momentum which it showed in the early days following Repeal. Inventories of aging whisky at the present time amount to about 50,000,000 gallons, of which 38,000,000 are in the United States. Bank loans aggregating $17,000,000 incurred in building up stocks and enlarging distilling facilities will be liquidated by the sale of $15,000,000 new 5 per cent preferred stock bearing warrants permitting the purchase of common stock, share for share. After this financing an additional $5,000,000 will be borrowed from banks. There has been considerable revamping of the internal organization, which ultimately may be effective in restoring the company's earlier promise.

Union Pacific—Railroad and Investment Trust

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case of a railroad, however, there is not quite the same instability. A railroad is subject to Interstate Commerce regulations; it has its territory and what monopolistic characteristics it has, it is likely to keep. This is not to say, of course, that the present favorable outlook for Union Pacific could not change. It could: for example, the railroad surcharges which expire at the end of this year may not be renewed. This would be something of a blow. There might be another and even more serious drought next year which conceivably could raise hob with the freight and passenger traffic in Union Pacific's territory. All kinds of things *might* happen. Even so, it is still contended that a railroad investment should represent a shot made at longer range than most and, specifically, that unless this technique is employed in the case of Union Pacific, much of the potentiality will go unappreciated.

How long it will be before Union Pacific reports earnings similar to the $20 a share reported for 1929, or whether it will ever do so, does not lend itself to definite statements. We do know, however, that the road is run by men who fully realize that a railroad can no longer sit back and watch the shekels roll in. The plant, represented by track and rolling stock already in good condition, is being even more fully adapted to modern requirements. Mention has been made already of the light-weight Diesel trains, but Union Pacific thinks that it can improve on even these, new as they are, with a steam turbine electric and is expecting to take delivery of one developed by itself and General Electric early next year. In February this year an order for fifteen new-type freight locomotives was placed, equipment capable of handling heavy trains at speeds of sixty miles an hour. Then there are the tons of new and heavier rail that have been laid and the hundreds of freight cars that have been rebuilt and put in perfect condition. It is all costing money, of course, as attested by the increased maintenance charges, but who can doubt that it will prove to be worthwhile if only the traffic is there to get. We think that the traffic will be there.

For special features in the next issue see page 747

American Metal Co., Ltd.

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hundred - and - seventy - nine thousand ounces was almost double that of 1933. On the other hand, last year's silver production of forty-six million ounces was relatively little changed from that of 1933 and the same may be said of zinc.

American Metal's operating income has not kept pace with the increase in the volume of the various metals handled. Indeed, operating income has moved materially downwards since 1933 and it is evident that the company's profit margin on its own production and the business that it does for others has been considerably impaired over the past few years. This is the more disappointing in view of the fact that metal prices generally have been moving forward. On the other hand, the decline in the profit resulting from the company's own operations has been more than offset by the great increase in "other income"—interest and dividends, etc., from investment holdings—which for last year amounted to $1,197,000, or almost double the figure reported for 1934.

Total net income for 1935, after all expenses, depreciation, depletion, interest, taxes and other charges, totalled $801,527. This, after allowing for a year's dividend requirements on the 6 per cent cumulative preferred stock, was equivalent to 33 cents a share on 1,224,585 shares of no-par common stock. The previous year resulted in a net loss of $232,000.

The balance sheet of the American Metal Co., Ltd., as of December 31, 1935, shows the company's capitalization to consist of the common stock mentioned above, ahead of which there are 66,670 shares of convertible preferred. Minority interests in subsidiary companies amounted to $828,000, subsidiary funded debt totaled $263,000, while bank loans payable amounting to $300,000 were paid off this year.

Giving effect to a dividend of four dollars a share paid the first of last month, the dividends accumulated on the preferred amount to fourteen dollars. So far this year twelve dollars a share has been paid on this stock, or at the rate of sixteen dollars a share for the year. Thus, current payments are being kept up and arrears liquidated at the rate of ten dollars a share annually. It is understood that the American Metal Co. expects to liquidate all preferred accumulations in cash and at a rate at least as fast as it is doing at the present time. This would mean the elimination of all arrears on the preferred in little more than a year from

now. Until December, 1939, the preferred is convertible into common at the rate of one-and-one-third shares of common for each share of preferred. With the common selling around thirty-nine and the preferred around a hundred-and-thirty, only a sensational rise in the common would bring about conversion in the near future. Hence, assuming that it is to take a year to eliminate preferred arrears in cash, common stockholders can expect no return for at least this period of time.

So far as the common is concerned, a logical conclusion would run something like this: here is a common stock which currently sells for thirty-nine dollars a share and on which the earnings for the first six months of 1936 were equivalent to twenty-four cents. Because so large a part of this is made up of other income and because it is fair to assume that few of the company's investments distributed all they earned, real earnings, including equity earnings, might possibly be placed around fifty cents a share. Even on this basis, and allowing for the fact that common dividends are to be held up pending the liquidation of the arrears on the preferred, the common stock of the American Metal Co. is not an issue obviously cheap on its merits. However, there is no questioning the fact that it affords one a remarkably diversified stake in non-ferrous metals whose destiny seems clearly the scaling of new heights. Because of this, it is not without potentialities for substantial earnings. Therefore as a speculation looking towards the more distant future, it will not be hard to visualize its being profitable ultimately.

Business Views the Coming Election

(*Continued from page* 755)

next administration will be to consolidate the New Deal—not repeal it; to preserve and strengthen those parts of it which are constitutional and workable; to revise and bolster up those parts of it which both sides concede, publicly or privately, to need revision, notably the social security act and the administration of relief.

As for Roosevelt's present direction, his recent action in extending the olive branch to the utilities in an effort to work out a co-operative program that will not endanger actual private investments must be regarded as significant. Conceding that it is a political gesture influenced by consideration of the coming election, the fact remains that it would not have been made at the time of the overwhelming New Deal victory in the Congressional elections of 1934. It would not be made now if Roosevelt did not feel it to conform to the current direction of the political wind.

In a nutshell, there is no great economic issue which, by decision of the voters in November, will mean assured prosperity on the one hand or certain deflation on the other. The most clear-cut issue is one of method, of administration, of personality. In this, however ardently one favors Landon or Roosevelt, there is no cause for business consternation.

One wag at Washington has said: "We will have a boom if Roosevelt wins, a bigger boom if Landon wins." Maybe so. We would be content with enduring good times, a bit short of a boom—but we have never attained this ideal under either Democratic or Republican political leadership and probably never will.

Answers to Inquiries

(*Continued from page* 790)

with the strong competition existing. Judging from the progress made to date, however, the outlook is decidedly constructive. From a financial standpoint, the company is well entrenched and will be able to continue an aggressive sales policy which, in turn, may be expected to further strengthen dealer representation. Although you currently enjoy a very worthwhile percentage profit on this company's stock, we feel that the speculative possibilities of this situation are sufficiently attractive to justify maintaining further your long position in the issue.

REPUBLIC STEEL CORP.

I hold 100 shares of Republic Steel common stock. Recently I read that the company plans expansion and improvement of its plant. Do you think replacement of obsolete equipment will lower operating costs and result in better profits? Do you look for greater earnings and market advances?—C. L. P., Providence, R. I.

Engaged in practically all divisions of the steel industry, Republic Steel Corp., is currently benefiting from increased takings by automobile manufacturers and the general run of industrial consumers. While the automobile industry is still the company's largest single customer, its dependence upon this business has been lessened over the past several years by the manufacture and sale of a number of new lines including structural shapes, tin plate, pipe and tubes, as well as numerous alloys. The acquisition of Corrigan-McKinney has materially strengthened the company's competitive position in the industry. It has given the company an efficient plant at Cleveland for both water and rail assembly of materials in the center of a large and growing market. Through the acquisition of Truscon Steel the company is in a position to benefit markedly from the improvement under way in construction as Truscon has long specialized in the fabrication of numerous building shapes, such as doors, window frames and steel-deck roofs. With increasing uses being found for alloy steels of various types, Republic should find this division of its business increasingly profitable. While the company was forced to absorb heavy operating losses during the depression years, with a consequent drain upon working capital position, this has been materially strengthened through the successful flotation of bonds in 1935 and 1936 and the improvement in operating results. After having reported a loss of 6 cents a share on its common stock in the first quarter of this year, the company reported 50 cents a common share for the June quarter, which compared with only one cent a year earlier. All arrears recently were cleared on the $6 prior preference stock with the declaration of $4.50 a share, payable October 23, to holders of record October 5. At the close of 1935, there were still outstanding 144,276 shares of undeposited 6% convertible preferred, although it is believed that this amount has since been reduced substantially. Arrears on that issue totalled $31.50 per share at the close of last year. Of course, these arrears must be taken care of before dividends can be paid on the common, but with earnings improving as they are, some workable solution to the problem should be found without too much difficulty. On the basis of the company's present well diversified position in the industry, and the generally favorable prospect for its business, we feel that the common stock still offers interesting speculative possibilities.

NEW YORK, CHICAGO & ST. LOUIS R.R.

My broker tells me that Nickel Plate's earnings prospects for 1936 are much improved. Does this indicate that the rather sensational rise in the stock of this road from the low of the year—at which time I bought 150 shares—will be continued or are these prospects reflected in today's prices?—R. F. T., Syracuse, N. Y.

New York, Chicago & St. Louis Railroad can be included near the top among those roads which have been first to reflect in their income statements the improvement traceable to re-

covery of industrial activity since the low point in the depression. A glance at the map of the road showing the highly industrialized territory from which this road draws its traffic serves, very largely, to explain this fact. The classification of freight tonnage, showing the item "Manufactures and Miscellaneous" accounting for over one-third of the total, serves to explain also why Nickel Plate can multiply earning power much more rapidly than the average. Analyzing the traffic statistics a little more in detail, it is found that total revenue freight tonnage increased from 1932 to 1935 a little less than 38%. High grade traffic—manufactures and miscellaneous—increased in those years 73%. These notations serve to explain why, with automobile manufacture, steel production, and other indices of general business activity registering almost steady uptrends in the past few years, Nickel Plate could show a jump in total railway operating revenues from a little more than $29,000,000 in 1932 to over $34,000,000 in 1935. The operating ratio has decreased during that period from 75.82% to 67.48%. Thus it will be seen that net railway operating income could increase from about $2,000,000 to over $6,700,000. The report issued covering the first eight months of the current year in no way indicates a reversal of this steadily forward trend in gross and in net earnings, and there appear in prospect no indications of a reversal. These, we believe, are the factors chiefly responsible for the demand for "Nickel Plate" shares in the open market, resulting in the climb in which you have so satisfactorily participated. It seems likely that, when the final figures for the full year are available, such net earnings will be shown for the common stockholders as will fully justify present price levels, perhaps furnishing an incentive for still higher prices. Our suggestion is to retain your holdings.

SEARS, ROEBUCK & CO.

I own some shares of Sears, Roebuck stock which show a good profit at present prices. May I ask whether you feel that it will go higher or should I take my profit? I read that earnings of about $6 a share are forecast for the year. Is it likely that these improved earnings will mean additional dividend payments? —W. H. S., Columbus, Ohio.

Although no precise estimates of full fiscal year share earnings can be made at this time, since deductions to allow for sur-taxes on undistributed profits cannot be estimated; there is nevertheless some basis for the report which you have heard forecasting earnings of $6 a share. The report covering the 24 weeks period ended July 16 this year shows that sales increased 22% compared with the corresponding period last year, and that net profits increased 68%. The earnings per share were respectively $2.60 and $1.55 in those periods. For the full fiscal year ended January, 1936, per share earnings were reported at $4.55; of which only 45% was earned in the first 24 weeks period and the balance, or 55%, in the remainder of the year. On this basis earnings for the balance of the current fiscal year would show $2.90 per share, which added to the earnings already reported, would equal $5.50. This projection however does not allow for further proportionate increase in sales volume reasonably to be expected on the basis of the accelerated rate at which sales are currently increasing. That is shown in a comparison of the sales in the 32 weeks period of this year ended September 10, showing an increase of 25% over the corresponding period last year. The last four weeks of this period however showed an increase in sales of 32%. It should be clear therefore that the rate of increase currently being exhibited in the reports may result in a greater proportionate increase in the last part of the current year, and add substantially to per share earnings. If, therefore, the $6 estimate which you have heard reported is not exaggerated, and if one considers the potential increase in earning power in the longer term future possible for this outstanding merchandising enterprise, the upturn in earnings alone would justify greater dividend distributions if the directors were so minded. They will have a new factor to consider in formulating dividend policy—the pending undistributed earnings tax, which should give directors very considerable

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, The Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225)

"TRADING METHODS"
This handbook issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

MARGIN REQUIREMENTS, COMMISSION CHARGES
J. A. Acosta & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

MAKING MONEY IN STOCKS
This booklet, issued by Investors Research Bureau, will be sent free to investors upon request. (953)

UNITED BULLETIN
Bulletin giving definite advice on leading stocks is issued by United Business Service. Free copy sent on request. (954)

WEEKLY STOCK MARKET REVIEW
This will be sent to you upon request without any obligation by H. M. Gartley, Inc. (989)

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, September 21	89.11	168.90	56.36	134.25	133.13	1,766,870
Tuesday, September 22	89.30	169.47	56.47	134.16	132.92	1,547,850
Wednesday, September 23	89.38	169.01	56.30	134.50	133.09	1,483,670
Thursday, September 24	89.54	169.14	56.55	133.95	132.88	1,192,940
Friday, September 25	89.24	166.36	55.44	133.33	131.31	1,514,430
Saturday, September 26	89.33	168.07	56.50	133.61	132.26	900,760
Monday, September 28	89.36	168.79	56.26	133.70	132.60	1,450,460
Tuesday, September 29	89.34	168.48	56.33	133.80	132.48	1,381,000
Wednesday, September 30	89.44	167.82	55.88	133.76	132.06	1,352,625
Thursday, October 1	89.40	168.26	55.76	132.53	131.66	1,099,470
Friday, October 2	89.55	170.76	57.18	133.96	132.33	1,928,680
Saturday, October 3	89.76	172.44	57.85	135.21	134.05	1,630,000

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1936 Price Range High	Low	Recent Price
Alum. Co. of Amer.	121½	109	119
Amer. Cyanamid B (.60)	40¾	29¼	34⅛
Amer. Gas & Elec. (1.40)	47⅜	33¾	40⅛
Amer. Lt. & Tr. (1.20)	25¼	17⅜	22⅜
Atlas Corp. (‡.40)	16¼	11¾	15
Bower Roller Bearing (1)	29⅜	20½	27
Butler Bros	13⅛	7⅝	12¾
Cities Service	7⅜	3	3⅞
Cities Service Pfd	66	41½	54½
Colum. G. & E. cv. Pfd. (5)	116½	93	102
Commonwealth Edison (4)	117	97	106½
Compo Shoe (.50)	16	11½	15½
Consol. Gas Balt. (3.60)	94½	84	89¾
Crane Co	39⅞	24	39⅛
Creole Petroleum (†.20)	34¾	19⅞	26⅛
Doehler Die Casting (‡.50)	35⅞	27¾	35⅛
Elec. Bond & Share	27	15¾	22¾
Elec. Bond & Share Pfd. (6)	88½	74¾	83¾
Ex-Cell-O A. & T. (‡.15)	23⅝	14¼	18
Ferro Enamel (.80)	40½	28⅜	35⅜
Ford Mot. of Can. "A" (‡.50)	28⅜	19	23⅝
General Tire	16¼	13¼	13⅞
Glen Alden Coal (1)	18⅛	13¼	16⅝

Name and Dividend	1936 Price Range High	Low	Recent Price
Gulf Oil of Pa. (‡.25)	104¾	72	98¾
Hall Lamp (‡.20)	8¾	5½	5⅞
Hudson Bay M. & S. (1)	28⅜	22¾	27½
Humble Oil (1)	76½	57	62
Imperial Oil (*.50)	24½	20	21⅛
Jones & Laughlin	70	30	70
Lake Shore Mines (*2)	60	51	55⅞
Lynch Corp. (2)	55½	34⅝	39½
Mueller Brass (.80)	40½	23½	38
National Sugar Ref. (2)	30½	23	26⅛
New Jersey Zinc (2)	92⅜	69½	75
Newmont Mining (2)	96¾	74¼	87⅞
Niagara Hudson Power	17¾	7¾	14⅛
Niles-Bement-Pond	49½	28½	49½
Pan-Amer. Airways (1)	66¾	45¾	56
Pepperel Mfg. (3)	99¼	55	99
Pitts. Pl. Glass (*2)	140	98¼	135
Sherwin-Williams (4)	145½	117	134
South Penn Oil (*1½)	40⅞	32½	40
United Shoe Mach. (5)	90	83	89½

* Includes extras. † Paid last year.
‡ Paid this year.

inducement to increase distributions in the future. The past history of Sears has been marked by outstanding innovations in merchandising methods, keeping pace with major changes in the buying habits of the millions which are the regular customers, and that must include a large portion of the urban and rural population. There is therefore no need to limit estimates of potential earning power in an enterprise of this type to estimate the possibilities based entirely upon past record. On the basis of these considerations, therefore, we feel that ultimately, substantially higher price levels could be attained by this outstanding issue.

UNITED BISCUIT COMPANY OF AMERICA

I bought a block of United Biscuit common last year at 24, but have been rather disappointed at its narrow price range in 1936. Is it your opinion that the better earnings which are reported will move the stock to higher levels? Do you suggest that I hold or sell?—A. P. Z., Des Moines, Iowa.

The report of United Biscuit Co. in the first half of the current year, showing an increase in net earnings per share of more than 75% over the results for the first half of 1935, certainly should find recognition ultimately in the market price of the shares, notwithstanding the fact that this stock is of a type more in demand by investors as an income producer, than by speculators for trading profits. It is not difficult to find reasons why investors should be willing to pay current prices, or even substantially higher prices for this stock. The yield at current price levels is not much below 6% based on the present dividend rate, and if earning power is maintained at the increased rate, some further distributions may reasonably be expected. This yield on an issue resting upon a demonstrated record of stable earning power and on a strong financial condition, is something of a scarcity in the present market. By reason of that fact alone, omitting momentary consideration of the prospect for further improvement in earning power, the demand for these shares could send the price substantially higher. The report issued by this company for the first half of the current year is the first since the depression to register the effect of the pronounced improvement in public purchasing power. This improvement not only permits of increased volume of sales, but enables the company to register larger gains in the higher priced products which are productive of a wider profit margin. The financial position of the company is such as to enable it to handle an expanded volume of business. The failure of the market thus far to register the important improvement so clearly demonstrated in the income account in the first half of this year, may be due to the fact that speculative attention seems to be centered in the more volatile stocks, but with the normally better final half of the year yet to be reported, it seems likely to be only a matter of time before the investment demand for these shares will result in substantially increased prices. We would suggest retention of your holdings.

ENDICOTT JOHNSON CORP.

While Endicott Johnson's plants are reported to be operating near capacity, the common stock is selling little above the 1936 low. Do you believe that present levels discount this volume of business? Would you continue to hold for higher prices?—L. R. C., Lexington, Ky.

While we have no recent report to the effect that plants of Endicott Johnson are currently operating at capacity, the uptrend in sales since the low registered in 1932 and continued steadily through and including the first half of the current fiscal year, would tend to support the opinion that volume of business is being maintained at high levels. It is hardly likely however that full fiscal year sales (ending November 30 this year) will quite equal the peak registered in the year 1927 in excess of $73,000,000. In that year total income amounted to more than $6,300,000, the company having saved 8.73% of the gross sales after operating costs, expenses, etc. Last year on sales volume of about $58,300,000, the company was able to save only 4.53% after operating costs and expenses. Still further narrowing of profit margins is shown in the report for the first half of the current year, when only 3.62% of the net sales remained after deducting operating costs, expenses, etc. This narrowing of the profit margin so clearly demonstrated in the above figures accounts for the failure of this company to show an increase in earnings for stockholders corresponding to the increase in the volume of sales. It is also responsible, we believe, for the failure of the stock of this company to register market improvement comparable to that shown by other outstanding manufacturing enterprises. Certainly the company is outstanding in its present position and its record. In point of size it is second largest. It not only manufactures its products, but tans its own leather and distributes its products through its own retail stores. It produces practically all its own leather and other raw material requirements, and this comparative independence may work decisively to its advantage if price levels are to rise in the future, which seems likely to be the case. In any event, it fortifies the position of this company with respect to many of its competitors. Moreover, it can hardly be said that present price levels discount any substantial increase in sales volume or earning power which may be recorded from operations in the future. On a strictly investment basis, the stock has attraction for its relatively high return, and while we find little that would likely promote speculative activity in the shares on the up side, retention of current holdings for income, may well be considered. Gradual longer term appreciation possibilities seem a reasonable expectation.

ELECTRIC STORAGE BATTERY CO.

I am wondering why Electric Storage Battery common remains at substantially the same levels as in 1935 when most other stocks have shown marked gains. Can you tell me and also advise me whether or not I should hold my shares for price appreciation?—B. B. H., Paterson, N. J.

Due largely to increased competition and the consequent narrowing of profit margins on unit sales, earnings of Electric Storage Battery Co. have failed thus far to register the improvement which might be expected as a result of the pronounced recovery which has occurred in the automobile equipment industry over the past two years. Thus, earnings for 1935 showed only slight improvement over 1934, with $2.48 a share comparing with $2.21. A further examination of the earnings record over the past several years, however, reveals that even in the year 1932, when most comparable organizations were operating at a loss, this company reported the equivalent of $1.39 a share earned on its common stock. Since that time gradual recovery has been the rule and while the lack of interim statements renders difficult an appraisal, indications point to further moderate earnings recovery this year. The company is the recognized leader in the quality storage battery field and while the competitive factor likely will continue as a restrictive influence upon the margin of profit obtained, there is every reason to believe that the company's trend of earnings is upward. Not only does the bright outlook for the automobile manufacturers augur well for this concern's original equipment business, but additional cars on the road mean greater replacement demand; the average automobile battery has an estimated life of about two years. Aside from the increased demand indicated for automobile batteries, the company may be expected to obtain considerable business from other sources. By continually developing new types of batteries for various industrial purposes, the company has lessened its dependence upon the motor car market and now the well known "Exide" and "Willard" products are to be found in railroad cars, aeroplanes, public utility plants, locomotives, submarines, battleships and practically any place where dependable power is needed. The organization's finances are in excellent shape. It has been the policy of the management to distribute to stockholders practically all of net income since plant facilities are adequate, as is also working capital position. This policy likely will be continued and with further earnings improvement indicated, the present $2 annual rate should be supplemented by liberal extras from time to time, as has been the policy in the past. Considering present money rates, there should be a continued investment demand for stocks of this caliber which, by itself, could easily result in at least modest appreciation from existing levels. It is our opinion, therefore, that further patience on your part will be rewarded over a reasonable period of time.

NATIONAL CASH REGISTER CO.

As a new subscriber, I am writing to ask your opinion of National Cash Register common, bought last year at twenty. Do you look for a continued uptrend in net profits which would give this issue attractive investment possibilities over the near and longer term?—H. W. G., Springfield, Mass.

As the recognized leader in the cash register field, the improvement which has occurred throughout retail trade has proven a boon to National Cash Register Co. The report of the organization covering the six months ended June 30, 1936, reveals a profit of $1,159,012, equal to 71 cents a share, against 43 cents a share in the comparable period of 1935. In the June quarter alone earnings equalled 50 cents a share, or the amount of full annual dividend requirements on the stock at the present rate. In consideration of the indicated earnings trend, together with the sound financial condition of the enterprise and the present Federal tax on undistributed corporate profits, there is basis for the belief that larger distributions are in prospect. Sales figures of the company for the first six months of the year totalled $19,494,672, against $16,059,328 a year before. With retail trade showing consistent improvement throughout the country, it seems reasonable to assume that National Cash Register will continue to experience increased demand for its cash registers, while the company's time-saving business equipment may also be expected to share in this betterment. Aside from the "Ellis" adding typewriter, various accounting machines have been developed during recent years designed to meet the demand of savings banks, public utilities, hotels, chain stores, and many other types of businesses. Finances of the company have been well maintained and as of June 30, 1936, current assets of $21,622,511 compared with current indebtedness of only $5,206,503. With capitalization of the company represented by only 1,628,000 no par common shares, very worthwhile results per share could easily be shown in normal years. Net income in the generally prosperous year 1929 was equal to $5.12 a share on the present outstanding stock, which amount does not seem impossible of attainment again if the present trend of earnings continues upward, as is anticipated.

Bank, Insurance and Investment Trust Stocks

ACTIVE ISSUES

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bankers (2)	67½	69½
Bank of Manhattan (1½)	31½	33½
Bank of N. Y. & Trust (14)	497	503
Central Hanover (4)	131	134
Chase (1.40)	47	49
Chemical (1.80)	64	66
City (1)	41½	43½
Corn Exchange (3)	65¾	66¾
Empire (1)	26½	27½
First National (100)	2110	2150
Guaranty (12)	352	357
Irving Trust (.60)	15½	16½
Lawyers Trust (2.40)	52	55
Manufacturers (2)	49½	51½
New York (5)	142	145
United States Trust (*70)	1985	2035

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	47½	49½
Aetna Life (*80)	30	32
Carolina (*1.20)	25¾	27¼
Glens Falls (1.60)	40½	42½
Globe & Rutgers	50½	52½
Great American (*1.20)	26⅜	28¼
Hanover F. (1.60)	34¼	36¼
Hartford Fire (2)	69½	71½
Home (*1.20)	34½	36½
National Fire (2)	63½	65½
Phoenix (*2½)	79	83
Sun Life Can	445	475
Travelers (16)	505	515
United States Fire (1.80)	55¾	57¾
Westchester F. (*1.40)	33	35

INVESTMENT TRUST SHARES

	Bid	Asked
Amerex Corp	26⅞	28⅛
Brit. Type Investors	.26	.48
Bullock Fund	19⅝	21⅜
Corporate Trust—AA	3.51	....
Fidelity Fund	29.25	31.50
Incorporated Investors	25.35	27.26
Maryland Fund	9.78	10.58
Massachusetts Invest	27.92	29.62
Nation-Wide Securities B	4.60	4.70
No. Amer. Trust Shares 1958	3.56	....
Quarterly Income Shares	1.74	1.90
Spencer Trask Fund	21.44	22.10
Uselps Voting Shares	1.23	1.31

* Includes extras.

Significant Foreign Events

(*Continued from page 771*)

Back in the twenties, it looked as if Bulgaria would explode as soon as sufficient reserves had been accumulated, because the Peace Treaties had shut her grain fields away from the Mediterranean, offering the single outlet of a port concession in Dedeagatch which the Sofia politicians scorned. For the time being Sofia is holding fire, attempting to regain prestige not by acquiring territory and the essential outlet to the bigger seas, but by acquiring the shipping tonnage which will make it unnecessary to hire foreign carriers to take Bulgarian goods to market. Numerous foreign companies are being burned, but the policy goes on without effective resistance. The "Bulgarian Commercial Navigation Company" has a state guaranteed credit of 23,000,000 leva to support its purchasing operations. With only a coastwise traffic in the Black Sea, the activity of the Bulgarian lines has pushed through the Dardenelles. Possibly the ships from Varna and Bourgas blew smoke into Turkish eyes and helped to produce that irritation which recently announced itself in the closing of the period of freedom and the beginning of a new era of fortifications between Gallipoli and Scutari. The real irritability, however, is felt by Greek skippers who once hoped to monopolize the Levant trade with the Black Sea ports. Bulgaria has some moderate sized cargo ships going regularly down to Egypt. She has one vessel that carries her flag to London, competing with the smaller British ships that have been used to handling this route alone. For 1936 "Bulgarian Navigation" has proposed to acquire three 3,000-ton boats, and one passenger ship of 6,000 tons to inaugurate a passenger service in the Mediterranean. Until 1936 Bulgarian bottoms carried about 20 per cent of the country's foreign commerce. It is now hoped that this figure will be doubled. If this project is achieved, Bulgarian invisible imports will be appreciably reduced and foreign marine competition correspondingly increased.

More important than Bulgarian shipping development is that of Yugoslavia. Instead of hitting the trade of several maritime competitors, Yugoslav expansion touches vitally Italian interests alone. This is by no means a happy state of affairs, since Italy in the role of the master of the Adriatic brooks ill the Yugoslav ambition to build up an independent line of carriers. Lloyd Triestino has lost traffic to Lloyd Yugoslav since the *Princess Olga,* approximately 9,000 tons, joined the race between Dalmatia and the Levant. Other new ships are entering the Yugoslav service. Even the "Fruit of the Sea" is no longer an Italian monopoly, for the Yugoslav fishing revenue in 1935 touched 38 million dinars.

As I See It

(*Continued from page 751*)

Premier Blum can successfully stave off a violent price rise and thereby maintain the advantage of higher wages which he succeeded in attaining for the workers, serious internal trouble should be obviated despite the loud mouthings of the Croix de Feu.

The world will watch developments in France with lively interest during the months to come. Her action has opened the way for those nations who champion democracy to stand together under the leadership of the United States and Great Britain. A return to more normal economic conditions is now possible the world around.

Happening in Washington

(*Continued from page 757*)

ward the effect on security markets would be decisive. Fear of taxation has restrained many security holders from taking sizable paper profits. *If this penalty on profits were removed the tendency to foreshorten long upward market swings might develop.*

New Patman bill announced by sponsor of Robinson-Patman price discrimination law is bidding for support of independent merchants. It would absolutely prohibit interstate commerce in any article which the manufacturer intended to sell at retail directly or through controlled outlet. Frank objective is to keep manufacturers from retailing and vice versa, stop "vertical integration" of industry, free independents from private brand competition of chains and mail order houses. In letter to trade associations Patman promises to push it in next Congress.

"Little men" in business, organized in trade associations, feel their oats since securing enactment of Robinson-Patman law. They are sympathetic to Patman's latest idea, though many consider it a bit drastic and too inclusive. Ahead of it they place "little Patman laws" enacted by states to supplement federal law on intra-state sales; supplements to R-P law if loopholes develop; federal "fair trade act" to permit states to authorize resale price maintenance contracts as to goods moving in interstate commerce. These organized druggists, grocers, etc., are putting heat locally on Congressmen who opposed R-P law. They will not be silent during next Congress.

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REET